

the aftermarket analyst

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

2008 Year in Review

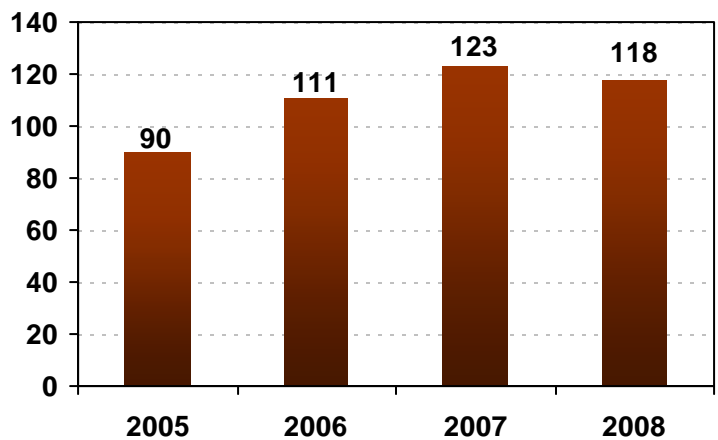
While 2008 produced dismal operating results for most companies in the aftermarket, merger and acquisition activity was still relatively strong in 2008. Following record aftermarket M&A activity in 2006 and 2007, the 118 transactions reported in 2008 represent a modest 4% decline. This slight decline is directly attributable to the credit crisis as a lack of available debt capital kept financial buyers on the sidelines. However, in light of the struggles faced by most aftermarket companies, M&A activity continued to be a bright spot in 2008.

Manufacturers continued to represent most of the aftermarket transactions, with 79 reported transactions in 2008. While this is an 11% decrease from the 89 aftermarket manufacturing transactions in 2007, manufacturers still represent two out of every three aftermarket deals. Renewed buyer interest in manufacturers is evident based on the increased sales levels in 2007 and 2008.

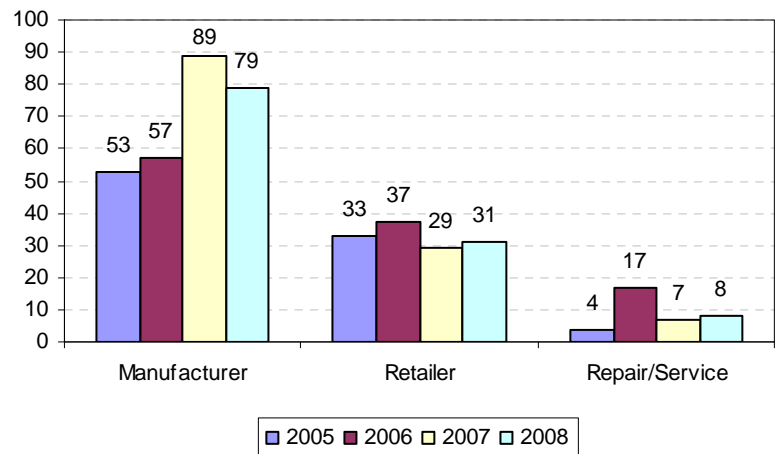
Distribution/retail transactions were up slightly in 2008. The 31 transactions in 2008 represented 7% growth over the 29 transactions in 2007. Retail/Distribution transactions have remained relatively consistent over the past four years as a percentage of aftermarket transactions and comprise a quarter of all aftermarket transactions.

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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
1/7/2009	Belron US	Cindy Rowe Auto Glass	a prominent vehicle glass repair and replacement brand in the central Pennsylvania area	—	—	—
1/6/2009	FleetPride	E.H. Burrell	a wholesale distributor of parts and accessories for commercial trucks and heavy equipment that serves 1,000 commercial and industrial accounts throughout western Oregon and southwestern Washington State	—	—	—
1/6/2009	Aero Performance Products	Jones Exhaust Products	one of the largest manufacturers of chrome exhaust tips and glass pack mufflers and performance diesel systems in the U.S.	—	—	—
1/5/2009	Speedway Motors	Kentucky Speedway	motorsports facility just south of Cincinnati, Kentucky	—	—	—
12/30/2008	Paul Lee (Individual)	McLeod Industries Inc.	a U.S.-based manufacturer of high-performance automotive clutch assemblies for performance automotive enthusiasts and the auto industry	—	—	—
12/29/2008	Champion Parts	Turbomotive Inc.	acquired certain turbocharger technology assets of Turbomotive Inc. for \$1.75 million	—	—	—
12/22/2008	American Tire Distributors	Am-Pac Tire	a wholly owned subsidiary of Tokyo-based Itochu Corp., which purchased the assets of Aspen Enterprises Inc. and its Tire Pros assets in 1999	—	—	—
12/5/2008	Speedway Motors	A-FAB Corp.	manufacturers AFCO-branded premium shocks, springs and radiators; U.S. Brake-branded automotive brakes; and Dynatech premium exhaust systems	—	—	—
12/4/2008	Audax Group	Select Distributors, Inc.	a manufacturer and distributor of custom car audio installation accessories and materials	—	—	—
12/3/2008	Perfection (Berkshire Hathaway)	Affinia	the clutch hydraulic business from Affinia's Global Brake and Chassis business unit	—	—	—
12/2/2008	Cerion LLC	Hillsdale Automotive	a provider of precision-machined and assembled powertrain and chassis components to the automotive industry	—	\$100.0	—
11/21/2008	General Dynamics	AxleTech International	a global manufacturer and supplier of axles, axle components, planetary axles, independent suspensions, brakes and aftermarket parts for military vehicles, commercial specialty trucks and off-highway machines	—	—	—
11/21/2008	OMIX-ADA	Alloy USA/Precision Gear	Alloy USA makes aftermarket performance axle and drive components for autos, trucks and SUVs. Precision Gear is a full-line axle component distributor	—	—	—
11/21/2008	Management buyout	Weld Wheel Industries Inc.	manufacturer of aftermarket and racing wheels	—	—	—
11/18/2008	FleetPride	Automotive Brake Co. of Newburgh, Inc.	auto parts distributor with 2 locations in New York State	—	—	—
11/16/2008	Keystone	Arrow Speed Warehouse	auto parts distributor	—	—	—
11/13/2008	Affinia Group	HBM Investment Ltd.	one of the world's largest drum and rotor manufacturing companies	—	—	—
11/11/2008	FleetPride	E.H. Burrell Co.	a distributor of OEM and aftermarket parts serving western Oregon and southwest Washington	—	—	—
11/1/2008	Marmon Highway Tech.	TSE Brakes	produces brake actuators in Sonora, Mexico	—	—	—
10/31/2008	US Auto Parts	AutoMD.com	a provider of diagnosis and repair technology to help consumers understand what's wrong with their vehicles and guide them in determining how to repair them	—	—	—

(Continued from page 1)

The service/repair segment accounted for eight transactions in 2008, one more than in 2007. The eight transactions in 2008 were well off the 17 transactions reported in the repair/service segment in 2006.

As mentioned at the beginning of the newsletter, financial buyers, primarily private equity groups, only participated in 17 transactions which is significantly lower than last year's 44 transactions and well below average over the last four years. As cash-flow lending stopped and asset-based lending decreased across all industries financial buyers found deal-making very difficult in 2008.

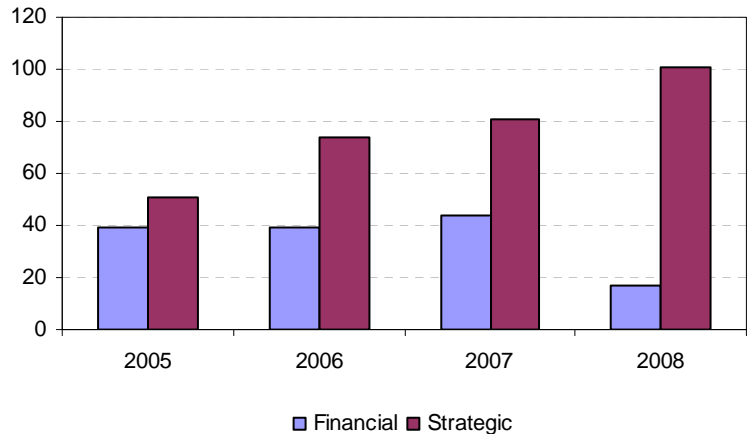
Publicly traded aftermarket companies had a disappointing 2008 in terms of stock price performance. While the Distribution and Retail Indices outperformed the S&P 500, the Manufacturing Index was off almost 60% for the year.

The Retail Index, up 2% for the year, outperformed the market. Retailers were led by AutoZone's 16% stock appreciation in 2008.

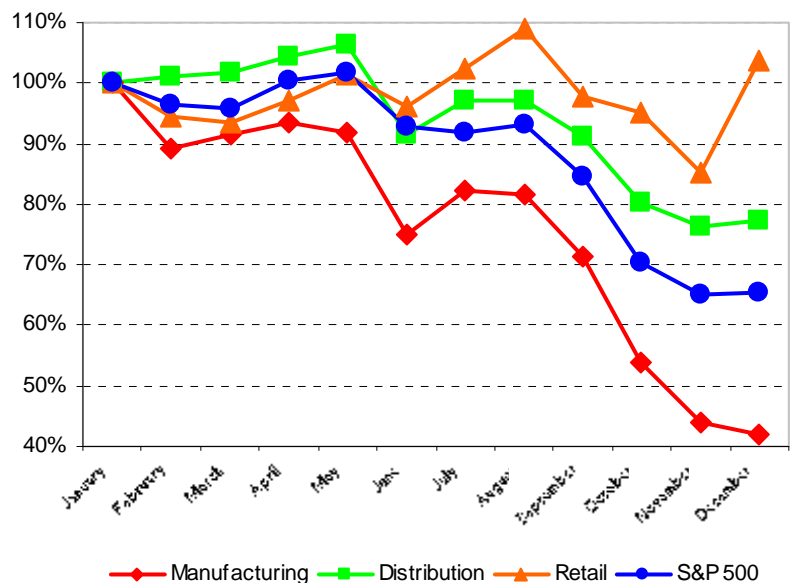
The Manufacturing Index, down 60%, was hurt by the 80% decline in Federal-Mogul stock and the 89% decline in Tenneco.

Companies representing the Distribution Index were off 22% with each company posting annual stock losses. Coast Distribution suffered the greatest loss of share price, 80%, among Distributors in 2008.

Aftermarket Transactions by Type of Buyer



2008 Aftermarket Stock Performance by Industry vs. S&P 500



Manufacturers—TEN, ATAC, FDML, SMP, and DORM
 Retailers—AZO, AAP, ORLY, PBY, and PRTS
 Distributors—GPC, LKQX, 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 12/31/08	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Federal-Mogul Corporation	\$4.23	\$420.5	\$2,907.7	\$781.5	\$2,598.0	9/30/08	\$7,294.9	\$760.2	\$456.6
Aftermarket Technology Corp.	14.63	296.8	0.0	5.5	291.9	9/30/08	539.9	71.8	35.4
Tenneco Automotive, Inc.	2.95	137.9	1,524.0	127.0	1,569.9	9/30/08	6,273.0	405.0	(193.3)
Dorman Products, Inc.	13.20	233.0	21.0	7.1	252.8	9/30/08	346.1	37.5	16.9
Standard Motor Products, Inc.	3.46	64.7	250.4	11.0	304.0	9/30/08	793.6	34.2	13.1
Wholesalers & Distributors									
Genuine Parts Company	\$37.86	\$6,036.2	\$500.0	\$124.4	\$6,480.3	9/30/08	\$11,122.3	\$932.9	\$513.7
LKQ Corporation	11.66	1,581.0	642.5	97.7	2,187.6	9/30/08	1,881.7	251.2	112.8
The Coast Distribution System, Inc.	1.03	4.6	20.7	3.3	22.0	9/30/08	142.0	0.7	(1.1)
Retailers									
Autozone, Inc.	\$139.47	\$8,085.6	\$2,250.0	\$242.5	\$10,248.4	8/30/08	\$6,522.7	\$1,293.6	\$641.6
Advance Auto Parts, Inc.	33.65	3,186.4	471.2	21.3	3,642.0	10/4/08	4,998.2	578.8	248.4
O'Reilly Automotive, Inc.	30.74	4,118.3	665.4	26.4	4,804.5	9/30/08	3,066.2	397.6	191.0
The Pep Boys - Manny, Moe & Jack	4.06	210.5	337.9	56.2	492.1	8/2/08	2,044.5	31.0	(47.1)
US Auto Parts Network, Inc.	1.39	41.5	0.1	33.1	8.4	9/30/08	157.0	7.6	(2.1)

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									
Federal-Mogul Corporation	0.4x	7.2x	3.4x	6.0x	5.7x	0.9	16.7%	10.4%	6.3%
Aftermarket Technology Corp.	0.5x	5.2x	4.1x	5.1x	8.2x	8.4	22.7%	13.3%	6.6%
Tenneco Automotive, Inc.	0.3x	8.6x	3.9x	10.3x	NM	NM	14.7%	6.5%	NM
Dorman Products, Inc.	0.7x	8.5x	6.7x	8.3x	15.0x	13.8	32.5%	10.8%	4.9%
Standard Motor Products, Inc.	0.4x	15.5x	8.9x	13.9x	23.3x	4.9	23.7%	4.3%	1.6%
Mean	0.5x	9.0x	5.4x	8.8x	13.0x	7.0x	22.0%	9.1%	4.8%
Median	0.4x	8.5x	4.1x	8.3x	11.6x	6.7x	22.7%	10.4%	5.6%
Wholesalers & Distributors									
Genuine Parts Company	0.6x	7.7x	6.9x	7.7x	12.6x	11.8	29.7%	8.4%	4.6%
LKQ Corporation	1.2x	9.9x	8.7x	11.1x	19.4x	14.0	44.9%	13.4%	6.0%
The Coast Distribution System, Inc.	0.2x	NM	30.0x	NM	NM	NM	19.2%	0.5%	NM
Mean	0.6x	8.8x	15.2x	9.4x	16.0x	12.9x	31.2%	7.4%	5.3%
Median	0.6x	8.8x	8.7x	9.4x	16.0x	12.9x	29.7%	8.4%	5.3%
Retailers									
Autozone, Inc.	1.6x	9.1x	7.9x	9.8x	16.0x	12.6	50.1%	19.8%	9.8%
Advance Auto Parts, Inc.	0.7x	8.4x	6.3x	9.6x	14.7x	12.8	48.3%	11.6%	5.0%
O'Reilly Automotive, Inc.	1.6x	15.1x	12.1x	64.6x	25.2x	21.6	45.1%	13.0%	6.2%
The Pep Boys - Manny, Moe & Jack	0.2x	NM	15.9x	NM	NM	NM	22.3%	1.5%	NM
US Auto Parts Network, Inc.	0.1x	NM	1.1x	2.6x	NM	NM	33.8%	4.8%	NM
Mean	1.0x	10.9x	8.7x	28.0x	18.6x	15.7x	39.9%	10.1%	7.0%
Median	1.1x	9.1x	7.9x	9.8x	16.0x	12.8x	46.7%	12.3%	6.2%

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful