

the aftermarket analyst

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

Guide for the Financially Distressed

Unless you are one of the few well-capitalized aftermarket manufacturers, distributors or retailers who have been able to sit on the sidelines and ride out the last 18-24 months, you've had to make some very difficult business decisions to save your business. And you still have more to face.

We have all seen or heard about how otherwise well-managed companies made business and financial decisions that resulted in the worst financial outcome possible during these stressful economic times. However, there are some things you can begin to do now that can help guide you toward making decisions that will result in better outcomes.

But first, you will have to steer clear of what we call the "Common Pitfalls of Financially Distressed Companies." If any of them apply to you or your business, take action now to change:

- **Not Being Proactive**

Doing nothing except waiting for the market to correct itself is a sure-fire strategy for achieving financial ruin. Every month that you wait wastes precious resources that you will need to create a real solution.

- **Unjustified Optimism**

Believing that a recovery is just around the corner is too risky and dangerous a turnaround plan to rely upon

- **Wasting Time, Money and Effort Negotiating Short-Term Fixes**

Forbearance agreements are, in many cases, a waste of time and only serve to keep the lawyers busy. Instead, when negotiating a solution with your banks, negotiate a complete restructuring of your balance sheet, debt or even how your business is organized that will permit you to realistically run your business profitably.

- **Thinking That You Can Restructure Your Business Yourself**

Hiring professionals sends a message to your creditors that they will be facing a serious situation, and it insulates you from unpleasant discussions while enabling you to maintain a future business relationship with your lender. Having a seasoned financial advisor on your team may seem expensive, but the cost will be a fraction of potential losses and it may save your business and protect your family.

(Continued on page 3)

in this issue

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



RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor(s)	Target	Target Description
2/12/2010	MEMA	OptiCat	electronic parts catalog data repository
2/12/2010	Service Repair Solutions	Auto Point, Inc.	a pioneer of ownership lifecycle management services to automotive retailers
2/12/2010	Great Dane Trailers	Johnson Truck Bodies	leader in the manufacture of insulated fiberglass refrigerated truck bodies and all-electric refrigeration solutions that was founded in 1932 by the Johnson Family
2/12/2010	WAI Global	Lester Catalog	an industry standard catalog, part number and information service provider
2/12/2010	General Automotive Company	Spec, Inc.	a manufacturer of clutches, flywheels and pressure plates for the performance market
2/4/2010	International Automotive Components Group (IAC)	Stankiewicz International Corp.	a U.S. subsidiary of Gimotive GmbH, manufactures flooring systems, dash insulators and trunk systems
2/3/2010	Uni-Select	Automotive Information Management Inc.	program distribution group which offers a membership program that grants access to preferred purchase terms offered by selected manufacturers.
2/3/2010	Klarius Group Limited	Affinia Group - Quinton Hazell	a diverse aftermarket manufacturer and distributor of automotive components throughout Europe
1/29/2010	The Gonher Group	Mighty Distributing System of America	a franchisor of sales and service operations in the automotive aftermarket. Mighty oversees 110 franchisees and company operations in 43 states.
1/28/2010	Autoliv	Delphi	Delphi's Occupant Protection Systems (OPS) operations in Korea and China
1/27/2010	Fisher Auto Parts	Crystal Lake Pit Stop	headquartered in Crystal Lake, Ill., was founded in 1977 and joined the Federated Auto Parts programmed distribution group in 1999
1/15/2010	Owner Resource Group	Global Parts Distributors	distributes components for AC and radiator units to parts warehouses, retail chains, mass-market retailers and repair shops
1/6/2010	Zep, Inc.	Amrep Inc	maintenance chemicals for the automotive aftermarket as well as the janitorial market sold through distributors
12/31/2009	Shoreview Industries	Twinco Romax	manufacturer and distributor of automotive fluids and related products
12/22/2009	Atlas Copco Tools	Quincy Compressor	designs and manufactures reciprocating compressors, rotary screw compressors and vacuum pumps, primarily under the Quincy brand
12/18/2009	Total Lubricants Canada	Ultramar	one of the largest marketers and refiners of petroleum products in Canada
12/4/2009	Management buyout	Standard Motor Products	Standard's European distribution business
12/1/2009	Auto-Camping Ltd.	N&D Automotive	German and Swedish parts distributor
12/1/2009	TopGuard	Penray	Penray's JetGo Automotive Chemicals brand
11/10/2009	A Raymond	Tinnerman Palnut Engineered Products	a leading supplier of engineered metal-clip fasteners and precision metal stampings for the auto industry with 482 employees

(Continued from page 1)

Business Realities You Need to Accept

Once you have jettisoned any or all of the above bad-for-your-business habits that you may have accrued during the downturn, it's time to accept a few market and business realities.

If you want to be in position to take advantage of the opportunities that will eventually reappear, you will have to make informed decisions based upon a very difficult set of facts and business realities:

- Your bank is a business that is probably also trying to survive. Your banker will do what he believes is in the bank's economic interest.
- Cash is king. Do not give any additional cash or pledge additional collateral to your bank without a global restructuring plan.
- If you have personal or corporate guaranties, come to an agreement with all of your lenders simultaneously, not just the one with the squeakiest wheel.
- Like 99% of your aftermarket compatriots, you probably don't have the experience, expertise or time to negotiate with your lenders, given the rapidly changing market dynamics.
- No new outside debt or equity is available without a balance sheet reflecting assets at realistic, sustainable values.

What You Need to Do

Now that you have a realistic idea of what you are facing, you can take appropriate and intelligent action:

- Immediately hire legal and financial advisors who understand how the game is played. Hire the best you can afford.
- Review your personal financial planning with your legal advisors in order to determine which personal and business assets are protected and which are at risk.
- Work with your financial advisors to analyze how much your assets are worth to your bank, not to you.
- Work with both your legal and financial advisors to develop an overall comprehensive plan that addresses the entire debt structure as well as your guaranties. Don't expect your banks to help you develop this plan. Their interests are different than yours. Be prepared to change your plan numerous times during the process.
- Present a thorough plan to your lenders that they can take back to their internal decision-makers. Your banker does not have the time, motivation or resources to do this on your behalf. If you give your bank a professionally prepared plan — with the proper packaging, analysis and documentation — you will greatly improve your chances of approval and success.

About Capstone

Capstone Financial Group, Inc. 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 2/28/10	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
Manufacturers									
Federal-Mogul Corporation	\$19.44	\$1,922.7	\$2,857.0	\$1,034.0	\$3,821.7	12/31/09	\$5,330.0	\$380.0	(\$13.3)
ATC Technology Corporation	22.97	460.7	0.0	0.0	463.1	12/31/09	485.0	82.5	37.8
Tenneco Automotive, Inc.	20.48	970.6	1,468.0	137.0	2,345.0	12/31/09	4,535.0	242.0	(312.4)
Dorman Products, Inc.	18.05	318.3	6.3	5.7	328.8	9/30/09	361.4	45.0	23.6
Standard Motor Products, Inc.	8.18	156.0	110.9	10.5	256.4	9/30/09	724.2	39.2	11.1
Wholesalers & Distributors									
Genuine Parts Company	\$40.48	\$6,424.3	\$0.0	\$0.0	\$6,424.3	12/31/09	\$10,057.5	\$761.4	\$399.6
LKQ Corporation	19.17	2,687.7	636.6	129.5	3,328.1	9/30/09	1,985.6	247.3	110.0
The Coast Distribution System, Inc.	4.10	18.2	11.5	2.6	27.2	9/30/09	102.8	(0.4)	(1.1)
Retailers									
Autozone, Inc.	\$166.14	\$8,223.3	\$2,739.5	\$79.6	\$11,091.9	11/21/09	\$6,927.8	\$1,380.8	\$669.0
Advance Auto Parts, Inc.	40.87	3,867.6	279.5	216.2	3,951.6	10/10/09	5,461.4	592.1	260.3
O'Reilly Automotive, Inc.	39.20	5,377.9	703.7	29.5	6,132.8	9/30/09	4,788.0	600.2	278.3
The Pep Boys - Manny, Moe & Jack	9.56	500.5	307.6	40.8	767.2	10/31/09	1,923.6	88.9	(12.5)
US Auto Parts Network, Inc.	6.24	186.3	0.0	33.6	152.7	9/30/09	164.3	5.8	(2.7)

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	0.7x	72.1x	10.1x	18.7x	NM	NM	14.9%	7.1%	NM
ATC Technology Corporation	1.0x	6.7x	5.6x	6.3x	12.3x	12.2	24.4%	17.0%	7.8%
Tenneco Automotive, Inc.	0.5x	90.2x	9.7x	20.4x	NM	NM	15.5%	5.3%	NM
Dorman Products, Inc.	0.9x	8.8x	7.3x	8.8x	13.9x	13.5	33.6%	12.4%	6.5%
Standard Motor Products, Inc.	0.4x	10.5x	6.5x	8.2x	23.1x	14.0	23.8%	5.4%	1.5%
Mean	0.7x	37.7x	7.8x	12.5x	16.4x	13.2x	22.4%	9.5%	5.3%
Median	0.7x	10.5x	7.3x	8.8x	13.9x	13.5x	23.8%	7.1%	6.5%
Wholesalers & Distributors									
Genuine Parts Company	0.6x	9.6x	8.4x	9.3x	16.1x	16.1	29.9%	7.6%	4.0%
LKQ Corporation	1.7x	15.9x	13.5x	17.2x	30.2x	24.4	44.6%	12.5%	5.5%
The Coast Distribution System, Inc.	0.3x	NM	NM	NM	NM	NM	18.2%	NM	NM
Mean	0.9x	12.7x	10.9x	13.2x	23.2x	20.3x	30.9%	10.0%	4.8%
Median	0.6x	12.7x	10.9x	13.2x	23.2x	20.3x	29.9%	10.0%	4.8%
Retailers									
Autozone, Inc.	1.6x	9.3x	8.0x	10.0x	16.6x	12.3	50.2%	19.9%	9.7%
Advance Auto Parts, Inc.	0.7x	8.9x	6.7x	9.6x	15.2x	14.9	49.2%	10.8%	4.8%
O'Reilly Automotive, Inc.	1.3x	12.4x	10.2x	30.4x	22.0x	19.3	47.5%	12.5%	5.8%
The Pep Boys - Manny, Moe & Jack	0.4x	43.7x	8.6x	15.6x	NM	NM	24.3%	4.6%	NM
US Auto Parts Network, Inc.	0.9x	NM	26.3x	NM	NM	NM	36.3%	3.5%	NM
Mean	1.0x	18.6x	12.0x	16.4x	17.9x	15.5x	41.5%	10.3%	6.7%
Median	1.0x	10.9x	8.6x	12.8x	16.6x	14.9x	48.3%	11.7%	5.8%

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful