

# the aftermarket analyst

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

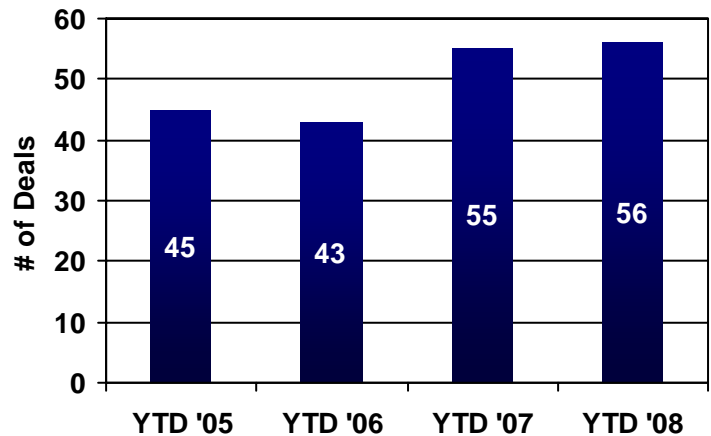
## Aftermarket M&A Very Strong Through First Half of 2008

Auto aftermarket merger and acquisition activity continued at a record pace through the first six months of 2008, with 56 total transactions in the year-to-date period ending June 30, 2008. These 56 transactions represent a 1.8 percent increase year-over-year from 2007's record 55 transactions and a 30.2 percent increase over 2006's 43 transactions over the same six-month period. The aftermarket appears to be a bright spot among the broader U.S. M&A market, which is down 36% over the same period last year, according to Thomson Financial.

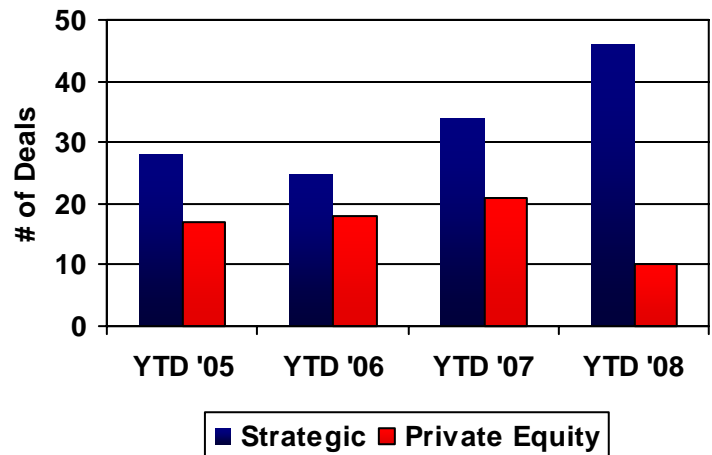
The auto aftermarket continues to see significant industry consolidation. Strategic buyers have dominated the deal space in 2008, while private equity groups have faced a challenging credit market that is dampening their ability to consummate transactions (see graph to right). Strategic buyers, relatively immune to the credit crunch, have completed 46 transactions through June 30, 2008. By comparison, through the first six months of 2006 and 2007, strategic buyers were involved in 25 transactions and 34 transactions respectively. Private equity groups have seen a dramatic decrease in completed transactions in 2008, with only 10 completed deals in the first half of the year. These 10 deals reflect a 53% decrease from last year's 21 deals completed over the same six-month period.

*(Continued on page 3)*

Aftermarket M&A Deal Volume in Year-to-Date (YTD) 2005, 2006, 2007 and 2008



Aftermarket Deal Volume by Buyer Type in Year-to-Date (YTD) 2005, 2006, 2007 and 2008



## in this issue

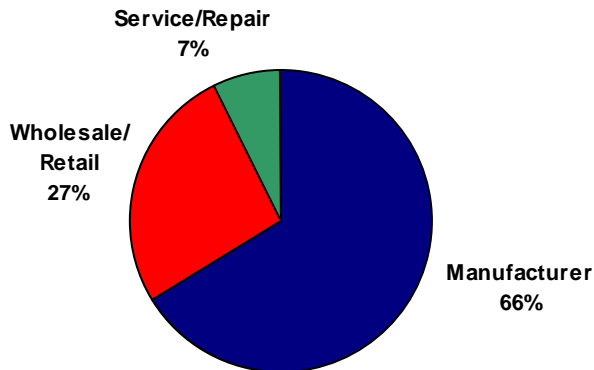
Recently Announced Transactions.....2  
 Public Company Valuations.....4



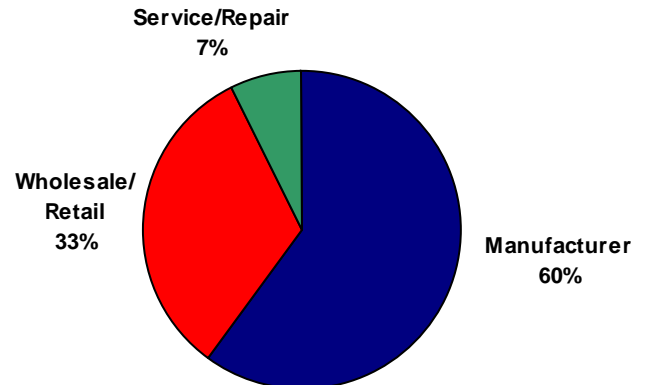
### RECENTLY ANNOUNCED AUTOMOTIVE AFTERMARKET TRANSACTIONS

Announce Date	Acquirer/Investor(s)	Target	Target Description	Firm Value (\$mil.)	Rev. FV / Rev.	EBITDA FV / EBITDA
6/20/2008	Belron US	Diamond Glass	vehicle glass repair and replacement company	—	—	—
6/18/2008	Lear Corp.	New Trend Group Co.	a 75 percent share of the automotive fabric business, a privately held company founded in 1986 that produces automotive interior fabric and commercial plastic goods	—	—	—
6/17/2008	BBS International	Hayes Lemmerz	cast aluminum wheels for passenger cars and currently employs approximately 315 people	—	—	—
6/13/2008	MBR, Inc.	Lancaster Colony Corp. (Dee Zee)	accessory operations in Des Moines, IA. The primary products manufactured at this location are aluminum truck and van accessories	\$145.0	—	—
6/10/2008	MAHLE Group	Clemex Mexico S.A. de C.V.	produces engine bearings and bushings for the automotive aftermarket and global automotive OE manufacturers	—	\$16.0	—
6/6/2008	1-800-Radiator	B&B Radiator	a family-owned and -operated automotive cooling parts business based in Texas.	—	—	—
6/6/2008	Leonard C. Lang	Tex Racing Enterprises	a driveline components specialist based in Ether, NC, owned by Hawk Corp.	—	—	—
6/3/2008	Continental	Enax	acquired a 16 percent stake in Japanese lithium-ion specialist Enax	—	—	—
6/3/2008	CARDONE Industries	Remy Automotive Europe	CARDONE Industries has entered into a definitive agreement with Remy Automotive Europe to acquire three plants in the U.K.	—	—	—
6/2/2008	Barclays Private Equity	Novem Group	a global provider of real wood, aluminum and carbon trim for vehicle interiors	—	—	—
6/1/2008	Tenneco Inc.	Delphi Automotive Systems	certain ride control assets and inventory at Delphi's Kettering, Ohio, facility	19.0	—	—
5/30/2008	DEA Products	ROL Manufacturing	certain assets of its engine and transmission mount business	2.0	—	—
5/28/2008	EQT Opportunity	Valeo	the heavy duty engine cooling division of automotive Group Valeo	—	—	—
5/22/2008	S&S Engine Remanufacturing	Jones Automotive Engines	Automotive engine rebuilding service; manufactures motor vehicle parts and accessories; retails automotive parts	—	—	—
5/19/2008	Motorcar Parts of America	Automotive Importing Manuf.	a privately held company based in Rancho Cordova, Calif.	—	—	—
5/16/2008	Dorman Products	Eastern Manufacturing, Inc	the assets of its catalytic converter business	—	—	—
5/9/2008	Uni-Select	Beck/Arnley	Beck/Arnley Worldparts Corp. and its Canadian subsidiary both are automotive replacement parts distributors specialized in parts for foreign nameplate vehicles.	—	—	—
5/6/2008	Cash Technologies Inc.	Champion Parts	was a leading remanufacturer of automotive fuel system components in the U.S. before its bankruptcy in October 2007	2.9	—	—

### YTD 2008 Aftermarket Deals by Seller Type



### YTD 2007 Aftermarket Deals by Seller Type



(Continued from page 1)

### Deals by Seller Type

Manufacturers continued to account for the largest percentage of auto aftermarket M&A transactions this year (see charts above). In the year-to-date period, 37 manufacturing targets were acquired — four more than last year. In all, manufacturing targets accounted for 66 percent of total aftermarket transactions as compared to 60 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 27 percent of total transactions as compared to 33 percent last year.

Service and repair deals remained constant compared to last year — accounting for 7 percent of transactions this year and last year.

### M&A Outlook for Remainder of 2008

Despite significant economic headwinds, 2008 is shaping up to be another strong year for auto aftermarket M&A. The driving forces for continued aftermarket M&A growth are the consolidating nature of the industry, the solid fundamentals of the DIFM segment, and foreign investment. We expect increasing foreign investment in the aftermarket as the declining dollar presents discounts versus most foreign currencies.

We expect strategic buyers to continue their deal dominance through the year as private equity will continue to struggle with access to debt capital.

### 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](http://www.capfg.com).

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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 6/30/08	Market Cap	Debt	Cash	Enterprise Value (1)	LTM Date	Revenue	EBITDA	Net Income
<b>Manufacturers</b>									
Tenneco Automotive, Inc.	\$13.53	\$630.5	\$1,463.0	\$161.0	\$1,966.5	3/31/08	\$6,344.0	\$455.0	(\$4.0)
Aftermarket Technology Corp.	23.28	494.3	0.0	19.2	481.2	3/31/08	529.0	79.8	40.8
Directed Electronics, Inc.	1.70	43.3	262.3	16.7	288.9	3/31/08	383.8	52.5	(20.0)
Standard Motor Products, Inc.	8.16	152.1	90.7	14.6	228.2	3/31/08	798.5	46.2	23.8
Dorman Products, Inc.	8.06	142.6	26.8	6.9	164.5	3/31/08	333.6	39.9	18.1
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	\$39.68	\$6,500.3	\$500.0	\$161.5	\$6,914.8	3/31/08	\$10,933.8	\$923.1	\$508.3
LKQ Corporation	18.07	2,430.5	651.6	85.4	3,137.4	3/31/08	1,383.4	180.9	81.9
The Coast Distribution System, Inc.	3.05	13.5	40.3	1.2	52.7	3/31/08	160.1	3.5	0.0
<b>Retailers</b>									
Autozone, Inc.	\$121.01	\$7,659.5	\$1,932.0	\$81.7	\$9,624.6	5/3/08	\$6,314.9	\$1,253.2	\$615.0
Advance Auto Parts, Inc.	38.83	3,699.9	554.5	19.1	4,271.8	4/19/08	4,902.4	572.5	244.3
O'Reilly Automotive, Inc.	22.35	2,581.0	100.4	113.3	2,568.1	3/31/08	2,555.4	381.1	191.9
The Pep Boys - Manny, Moe & Jack	8.72	451.7	462.6	87.3	827.0	5/3/08	2,096.5	42.5	(46.4)
CSK Auto Corporation	10.48	461.5	515.6	19.7	957.6	5/4/08	1,839.7	93.0	(2.9)
US Auto Parts Network, Inc.	3.62	108.0	0.1	32.2	76.0	3/31/08	157.2	8.4	(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
<b>Manufacturers</b>									
Tenneco Automotive, Inc.	0.3x	8.1x	4.3x	7.7x	NM	NM	15.6%	7.2%	NM
Aftermarket Technology Corp.	0.9x	7.5x	6.0x	8.4x	11.8x	12.1	24.8%	15.1%	7.7%
Directed Electronics, Inc.	0.8x	6.8x	5.5x	5.9x	NM	NM	36.3%	13.7%	NM
Standard Motor Products, Inc.	0.3x	7.3x	4.9x	7.2x	9.6x	6.4	25.3%	5.8%	3.0%
Dorman Products, Inc.	0.5x	5.1x	4.1x	4.8x	9.1x	7.9	33.4%	12.0%	5.4%
<b>Mean</b>	<b>0.6x</b>	<b>7.0x</b>	<b>5.0x</b>	<b>6.8x</b>	<b>10.2x</b>	<b>8.8x</b>	<b>27.1%</b>	<b>10.7%</b>	<b>5.4%</b>
<b>Median</b>	<b>0.5x</b>	<b>7.3x</b>	<b>4.9x</b>	<b>7.2x</b>	<b>9.6x</b>	<b>7.9x</b>	<b>25.3%</b>	<b>12.0%</b>	<b>5.4%</b>
<b>Wholesalers &amp; Distributors</b>									
Genuine Parts Company	0.6x	8.3x	7.5x	8.5x	13.6x	12.8	29.7%	8.4%	4.6%
LKQ Corporation	2.3x	19.8x	17.3x	22.7x	38.3x	29.7	45.0%	13.1%	5.9%
The Coast Distribution System, Inc.	0.3x	20.7x	15.0x	28.5x	NM	NM	19.0%	2.2%	0.0
<b>Mean</b>	<b>1.1x</b>	<b>16.3x</b>	<b>13.3x</b>	<b>19.9x</b>	<b>25.9x</b>	<b>21.2x</b>	<b>31.2%</b>	<b>7.9%</b>	<b>3.5%</b>
<b>Median</b>	<b>0.6x</b>	<b>19.8x</b>	<b>15.0x</b>	<b>22.7x</b>	<b>25.9x</b>	<b>21.2x</b>	<b>29.7%</b>	<b>8.4%</b>	<b>4.6%</b>
<b>Retailers</b>									
Autozone, Inc.	1.5x	8.9x	7.7x	9.3x	15.6x	12.5	50.0%	19.8%	9.7%
Advance Auto Parts, Inc.	0.9x	10.0x	7.5x	11.3x	17.5x	15.1	48.0%	11.7%	5.0%
O'Reilly Automotive, Inc.	1.0x	8.5x	6.7x	24.9x	13.4x	13.4	44.6%	14.9%	7.5%
The Pep Boys - Manny, Moe & Jack	0.4x	NM	19.5x	NM	NM	NM	22.6%	2.0%	NM
CSK Auto Corporation	0.5x	18.1x	10.3x	15.2x	NM	NM	46.9%	5.1%	NM
US Auto Parts Network, Inc.	0.5x	NM	9.1x	22.3x	NM	NM	34.3%	5.3%	NM
<b>Mean</b>	<b>0.9x</b>	<b>11.4x</b>	<b>10.1x</b>	<b>15.2x</b>	<b>15.5x</b>	<b>13.7x</b>	<b>41.1%</b>	<b>9.8%</b>	<b>7.4%</b>
<b>Median</b>	<b>0.9x</b>	<b>9.4x</b>	<b>8.4x</b>	<b>13.2x</b>	<b>15.6x</b>	<b>13.4x</b>	<b>46.9%</b>	<b>11.7%</b>	<b>7.5%</b>

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

(2) Free Cash Flow equals EBITDA less capital expenditure

"NM" is not meaningful