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

Industry Trends

The Specialty Equipment Market Association (SEMA) recently released its 2008 data for the automotive aftermarket. The market, in retail dollars, declined from $38.1 billion in 2007 to $31.8 billion in 2008. This $6.3 billion dollar decline is by far the largest annual decline in decades. While it comes as no surprise that sales plummeted in 2008, there were some interesting points regarding customers and their purchases that have continued into 2009.

Light Trucks and Related Accessories as a market niche are bearing the brunt of this storm

Historically, specialty equipment geared towards the light truck niche has driven the market. In 2007, consumers spent $13.1 billion at the retail level for light truck products. In 2008, the automotive aftermarket's leading niche declined 36% to $8.3 billion, with continued deterioration through the first half of 2009.

Increasing gas prices, declining new home starts, and decreased consumer confidence led to a radical decline in OEM light truck sales in 2008 and 2009. In 2007, 8.3 million light trucks were sold. In 2008, this number decreased to 6.2 million, a reduction of 25%. This year, the negative trend has continued with Year to Date (YTD) Sales down 36% over the same period in 2008. The light truck specialty equipment market has been affected to an ever greater extent. In 2008, almost $5 billion in retail sales vanished along with entire light truck categories. While there will always be a market for light trucks, we are in the midst of a re-adjustment to a "core" level of sales.

Industry Growth Comparison
Annual Percentage Change

	Specialty Equipment Industry	U.S. GDP	Light Duty Vehicle Sales
1990	9.2	1.9	(4.6)
1991	(3.9)	(0.2)	(11.2)
1992	8.5	3.3	4.5
1993	12.2	2.7	8.0
1994	6.5	4.0	8.4
1995	9.0	2.5	(2.1)
1996	6.0	3.7	2.5
1997	8.4	4.5	0.1
1998	9.1	4.2	2.9
1999	9.4	4.5	8.7
2000	7.0	3.7	2.7
2001	3.8	0.8	(1.5)
2002	3.1	1.6	(1.9)
2003	7.7	2.5	(1.2)
2004	8.8	3.9	1.4
2005	9.2	3.1	0.5
2006	7.1	2.9	(2.5)
2007	3.8	2.2	(2.6)
2008	(16.4)	1.1	(18.0)

source: SEMA

Appearance versus Performance

In 2008, annual sales of accessories and appearance products declined for the first time in two decades. Historically, appearance products and accessories have represented up to 60% of automotive aftermarket sales. In 2008, this segment lost $6.1 billion in retail sales, dropping from $21.3 billion in 2007 to $15.2 billion in 2008. Put another way, 97% of aftermarket

(Continued on page 3)

in this issue

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Recently Announced Automotive Aftermarket Transactions

Announce Date	Acquirer/Investor(s)	Target	Target Description
5/5/2009	Bienes Turgon	Delphi	assets and shares related to the company's global exhaust business including locations in Blonie, Poland; Clayton, Australia; Port Elizabeth, South Africa; joint venture interests in Monterrey, Mexico; technical centers in Auburn Hills, Mich. USA; and Bascharage, Luxembourg.
5/1/2009	Kelly Capital	Earl Scheib	operator of 85 automotive paint and collision repair shops across the United States and manufactures paint coating systems that are used, not only by its paint and collision repair shops, but also sold to OEMs and used by architectural construction firms
4/6/2009	Kinderhook Industries	BedRug	BedRug, a division of Wise Industries Inc., a manufacturer of truck bed and van protection products.
3/30/2009	FleetPride	Pro Truck and Trailer Supply	a 21,000 square foot retail and warehouse facility in Lubbock, Texas
3/27/2009	Cerion LLC	Precision Parts International	a global leader in fineblanking and complimentary value-added finishing technology, enabling it to supply precision components to customers in the automotive, industrial HVAC and fluid control industries, and a highly-respected stamping company serving the automotive, trucking, industrial and consumer markets.
3/26/2009	Fisher Auto Parts	Robbins Auto	12 stores and a centralized distribution center which has served New Hampshire, northern Massachusetts and southern Maine for more than 75 years.
3/3/2009	General Motors	Delphi	Delphi's steering division
2/23/2009	FleetPride	Multibearings Service Co.	supplier of heavy duty truck and trailer parts and offers in-house remanufactured products
2/23/2009	Safety-Kleen	Atlantic Industrial Services Inc.	one of the largest collectors and recyclers of used oil, oil filters and antifreeze in the Southeast
2/23/2009	Safety-Kleen	Gateway Petroleum Co.	provides used oil management services to customers in the eastern Missouri, central and southern Illinois, and Cape Girardeau areas.
1/16/2009	The Mifsud Group	JB Design Inc.	a.k.a. Corsa Performance Exhausts
1/15/2009	Aurelius	Bosch	Bosch's Blaupunkt brand, which makes portable navigation devices
1/9/2009	Comp Cams	Hawk Corp.	the clutch assemblies specialist (Quarter Master Industries) was the last remaining piece of Hawk's performance racing operations
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 glasspack mufflers and performance diesel systems in the U.S.

(Continued from page 1)

losses in 2008 came from appearance products and accessories. In contrast, performance products experienced only a slight downturn in 2008. The wheels, tires, and suspension segment and the racing and performance segment lost only $200 million combined. This trend of performance products over appearance products has continued through 2009.

2008 Specialty-Equipment Market

Industry Segment Market Share ***(Sales in billions)***

	1990	1995	2000	2005	2008
Accessory/Appearance	4.772	8.000	12.858	19.068	15.264
Suspension & Handling	3.068	4.000	5.822	8.172	9.063
Performance Products	3.522	4.000	5.580	6.810	7.473
Total	11.363	15.999	24.260	34.050	31.800
Accessory/Appearance	42%	50%	53%	56%	48%
Suspension & Handling	27%	25%	24%	24%	29%
Performance Products	31%	25%	23%	20%	24%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Retail Sales by Market Niche ***(Sales in billions)***

	2008	2007	% change
Light Truck	8.35	13.084	-36.18%
Off-Road	1.442	1.462	-1.37%
Street Performance	2.189	2.191	-0.09%
Compact Performance	7.032	6.688	5.14%
Street Rod and Custom	1.08	1.06	1.89%
Restoration	1.451	1.486	-2.36%
Racing	1.106	1.082	2.22%
Restyling	3.958	4.226	-6.34%
Other	5.242	6.832	-23.27%
Total	**31.85**	**38.111**	**-16.43%**

Enthusiast appeal versus mainstream appeal

While enthusiast sales have not declined significantly in the last 18 months, sales to mainstream consumers have greatly decreased. Both the light truck niche and the accessory/appearance segment have been the hardest hit by declining interest from mainstream consumers who view their aftermarket purchases as very discretionary in nature. “Core” enthusiasts view their aftermarket purchases as a “way of life” and have continued to spend over the last 18 months. This difference in buying attitude is best illustrated in the light truck niche and compact performance niche. The light truck niche has achieved mass appeal over the past decade. With increased sales of trucks and SUVs to a larger audience over the last twenty years, mainstream consumers followed into the automotive aftermarket. This is especially true when it comes to appearance products and accessories. As these mainstream consumers fled in 2008, the market declined almost $5 billion.

The compact performance segment is at the other end of the consumer spectrum with very little mass appeal. Compact performance is dominated by younger enthusiasts who are looking for quantifiable results. Not surprisingly, compact performance grew 5% in 2008.

In these challenging times, it is imperative for a company to know its customer base. While mainstream appeal leads to increased sales, it can also lead to faulty expectations of the future. These enthusiasts are keeping the automotive aftermarket afloat amidst the current troubles.

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.

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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 5/31/09**	**Market Cap**	**Debt**	**Cash**	**Enterprise Value (1)**	**LTM Date**	**Revenue**	**EBITDA**	**Net Income**
Manufacturers									
Federal-Mogul Corporation	$10.00	$994.0	$2,865.6	$663.7	$3,195.9	3/31/09	$6,243.9	$532.1	($154.8)
Aftermarket Technology Corp.	14.58	288.3	70.0	82.1	276.2	3/31/09	514.5	67.5	24.9
Tenneco Automotive, Inc.	6.12	289.2	1,587.0	113.0	1,763.2	3/31/09	5,323.0	282.0	(394.4)
Dorman Products, Inc.	14.20	250.6	7.9	4.7	260.6	3/31/09	348.6	38.8	19.7
Standard Motor Products, Inc.	5.27	99.9	184.3	11.0	273.3	3/31/09	739.4	30.4	(0.4)
Wholesalers & Distributors									
Genuine Parts Company	$33.11	$5,279.3	$500.0	$133.3	$5,646.0	3/31/09	$10,720.3	$841.9	$441.0
LKQ Corporation	15.21	2,132.5	638.6	92.8	2,773.9	3/31/09	1,963.4	240.6	106.3
The Coast Distribution System, Inc.	2.43	10.8	20.3	0.5	30.6	3/31/09	116.0	(1.9)	(1.9)
Retailers									
Autozone, Inc.	$152.15	$8,321.6	$2,690.8	$108.0	$11,098.9	2/14/09	$6,654.0	$1,316.0	$649.6
Advance Auto Parts, Inc.	42.59	4,046.0	456.2	37.4	4,490.7	12/31/08	5,142.3	561.5	238.0
O'Reilly Automotive, Inc.	36.05	4,890.4	791.0	37.4	5,765.7	3/31/09	4,094.1	482.1	209.6
The Pep Boys - Manny, Moe & Jack	7.05	368.5	353.8	21.3	701.0	1/31/09	1,927.8	53.6	(34.8)
US Auto Parts Network, Inc.	3.60	107.4	0.0	33.9	73.5	3/31/09	153.1	(18.6)	(16.7)

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	16.5x	**6.0x**	13.8x	NM	NM	16.3%	8.5%	NM
Aftermarket Technology Corp.	0.5x	5.2x	**4.1x**	4.6x	11.1x	11.6	21.3%	13.1%	4.8%
Tenneco Automotive, Inc.	0.3x	28.0x	**6.3x**	23.2x	NM	NM	14.3%	5.3%	NM
Dorman Products, Inc.	0.7x	8.4x	**6.7x**	8.4x	13.2x	12.7	32.7%	11.1%	5.6%
Standard Motor Products, Inc.	0.4x	17.7x	**9.0x**	12.7x	NM	NM	23.5%	4.1%	NM
Mean	***0.5x***	***15.1x***	***6.4x***	***12.6x***	***12.2x***	***12.2x***	***21.6%***	***8.4%***	***5.2%***
Median	***0.5x***	***16.5x***	***6.3x***	***12.7x***	***12.2x***	***12.2x***	***21.3%***	***8.5%***	***5.2%***
Wholesalers & Distributors									
Genuine Parts Company	0.5x	7.5x	**6.7x**	7.6x	12.8x	12.0	29.7%	7.9%	4.1%
LKQ Corporation	1.4x	13.5x	**11.5x**	15.4x	26.1x	20.1	44.1%	12.3%	5.4%
The Coast Distribution System, Inc.	0.3x	NM	**NM**	NM	NM	NM	18.1%	NM	NM
Mean	***0.7x***	***10.5x***	***9.1x***	***11.5x***	***19.4x***	***16.0x***	***30.7%***	***10.1%***	***4.8%***
Median	***0.5x***	***10.5x***	***9.1x***	***11.5x***	***19.4x***	***16.0x***	***29.7%***	***10.1%***	***4.8%***
Retailers									
Autozone, Inc.	1.7x	9.7x	**8.4x**	10.4x	17.1x	12.8	50.1%	19.8%	9.8%
Advance Auto Parts, Inc.	0.9x	10.8x	**8.0x**	11.9x	18.9x	17.0	47.9%	10.9%	4.6%
O'Reilly Automotive, Inc.	1.4x	15.4x	**12.0x**	119.2x	27.5x	23.3	46.0%	11.8%	5.1%
The Pep Boys - Manny, Moe & Jack	0.4x	NM	**13.1x**	37.2x	NM	NM	24.1%	2.8%	NM
US Auto Parts Network, Inc.	0.5x	NM	**NM**	NM	NM	NM	34.9%	NM	NM
Mean	***1.1x***	***12.0x***	***10.4x***	***44.7x***	***21.2x***	***17.7x***	***40.6%***	***11.3%***	***6.5%***
Median	***1.1x***	***10.8x***	***10.2x***	***24.6x***	***18.9x***	***17.0x***	***46.9%***	***11.3%***	***5.1%***

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