

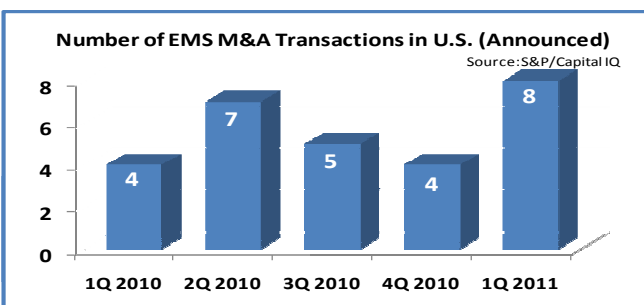
# EMS Industry Update - 1st Quarter 2011



> After six consecutive quarters of growth, semiconductor suppliers saw revenue contract 3.7% in 4Q 2010 from the previous quarter, according to HIS iSuppli. However, semiconductor revenue grew to \$299.4 billion in 2010, representing a 30.9% increase from 2009. The industry-wide upturn was due to a combination of rebuilding inventories, which were depleted during the recession, and pent-up demand resulting from lack of spending during the recession.

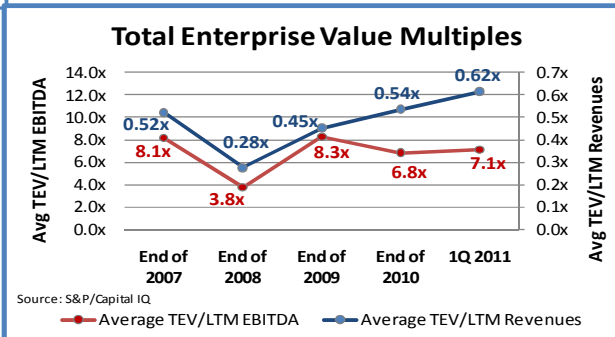
> The Semiconductor Industry Association reported that semiconductor sales in the first quarter of 2011 were \$75.8 billion. This is an increase of 8.6% above the first quarter of last year, when sales were \$69.8 billion. Due to increased business and consumer demand for high-quality electronic products, industry experts believe the EMS industry is likely to outperform the growth forecasts of the U.S. economy this year.

> Growth in the semiconductor market was fueled by significant growth in the mobile phone market, which grew nearly 20% from the first quarter of 2010 to the first quarter of 2011. The 371.8 million units shipped in 1Q 2011 lifted the market to a new first-quarter high, according to International Data Corporation. Growth is expected to continue in this segment throughout the year, particularly within the smartphone market which is expected to grow almost 50% to 450 million units shipped. The smartphone market is expected to have strong growth beyond 2011, as well, and reach 800 million units in 2015.



> Overall, the number of merger and acquisition (M&A) transactions globally in the first quarter of 2011 declined significantly from the fourth quarter of 2010. However, EMS M&A activity in the United States experienced a different trend. The eight transactions registered in 1Q 2011 were the highest quarterly level of M&A activity in the EMS industry since 2008.

> Average valuation multiples for public EMS companies rebounded from the end of 2010. Average Total Enterprise Value (TEV)/Revenue multiples increased 15% to 0.62x at the end of 1Q 2011; Average TEV/EBITDA multiples ticked up to 7.1x at the end of 1Q 2011 compared to 6.8x the previous quarter. Private EMS companies are generally valued at lower multiples, however, due to a liquidity discount.



## 1Q 2011 Announcements

> SenDEC Corporation signed a definitive merger agreement to acquire API Technologies Corp. (OTCBB: ATNY.D) in a reverse merger transaction on January 9, 2011. At the end of March, API entered into a definitive merger agreement to acquire Spectrum Control Inc. (NasdaqGS: SPEC) from RBC Global Asset Management (US), Dimensional Fund Advisors LP and other investors for approximately \$260 million in cash.

> On January 14, 2011, an investor group led by Wayne, PA-based Guardian Capital Partners acquired PPI / Time Zero, Inc. from Saugatuck Capital Company.

> Sparton Corp. (NYSE: SPA) signed a definitive agreement to acquire certain assets and assume certain liabilities of Byers Peak, Inc. for \$4.4 million in cash on February 18, 2011. The acquisition of Byers Peak is expected to add \$10 million to Sparton Corp.'s projected annual revenue.