

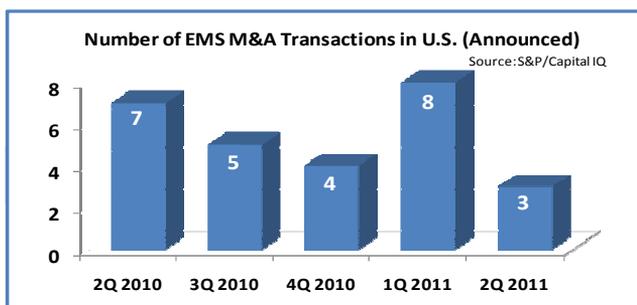
EMS Industry Update - 2nd Quarter 2011

by  **STRATEGIC ADVISORS**
Middle Market Investment Bankers

> According to updated figures from IC Insights' Mid-Year Update to The McClean Report, the global semiconductor industry will grow only 5% in 2011, not 10%. Weak macroeconomic conditions, rising costs in oil and other commodities, and the disruption to the Japanese market are chief contributors to the lower 2011 forecast.

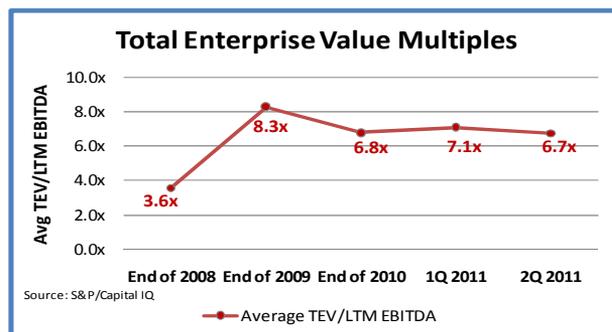
> Five months after the earthquake and associated tsunami that devastated Japan, the full impact of the tragedy is being realized. In 2010, Japan was the top contributor to the semiconductor market and held a 16.9% share of the market; North America was close behind with a 16.7% market share. As a result of this event and the corresponding supply chain issues, Japan will no longer be the world's largest semiconductor materials market. According to Databeans, however, Japanese shipment levels are expected to increase to 112 billion units in 2012. This represents a 7% increase from the shipment levels forecast for 2011. As the U.S. Geologic Survey has reported approximately 100 aftershocks of magnitude 6 or higher since the initial earthquake, Japan's semiconductor industry is still susceptible to further disruption.

> The worldwide level of semiconductor inventories have risen for the seventh consecutive month as the industry rebuilds depleted stockpiles and prepares for expected increases in demand, according to iSuppli Inventory Market Brief and analysis provider IHS. The total stockpile level for semiconductor suppliers was expected to reach 81.5 days in the second quarter, up 1.5% from 80.3 days in the first quarter. With this increase, inventories will have risen for seven consecutive quarters.



> Overall, the number of merger and acquisition (M&A) transactions globally in the second quarter (2Q) of 2011 was on par with the first quarter of the year. However, EMS M&A activity in the United States experienced a different trend. Just three transactions were registered in 2Q 2011, which represented a significant decline from the previous quarter the same period last year (2Q 2010).

> Average TEV/EBITDA multiples decreased to 6.7x at the end of 2Q 2011 compared to 7.1x at the end of the previous quarter. Current valuations are comparable to what was exhibited on average last year. With the stock market showing high volatility, it is difficult to determine where valuations will be at the end of the third quarter.



2Q 2011 Announcements

> Prairie Capital partnered with Vierville Capital to purchase Virginia-based Pyott-Boone Electronics, Inc. from Fetterolf Group, Inc. in early April. Strategic Advisors served as the exclusive financial advisors to Fetterolf Group and Pyott-Boone Electronics, Inc. during the transaction.

> California-based Ducommun Technologies, Inc. entered into a definitive agreement to acquire Missouri-based LaBarge Inc. (AMEX: LB) on April 3, 2011. The deal is valued at around \$338 million, which is approximately 8.7x trailing twelve month EBITDA. Strategic Advisors represented Pinnacle Electronics when it was sold to LaBarge Inc. in 2004.