

The logo for BAIRD, consisting of the word "BAIRD" in white, uppercase, serif font, set against a dark blue parallelogram background.

Global Investment
Banking

2023 UPDATE

BAIRD'S PERSPECTIVE ON THE ELECTRONIC COMPONENTS SECTOR



BAIRD'S GLOBAL ELECTRONIC COMPONENTS INVESTMENT BANKING TEAM

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TRUSTED ADVISORS IN THE ELECTRONIC COMPONENTS SECTOR

Baird has a leading global investment banking franchise within the Electronic Components sector, generated through a dedicated team focused on the sector for over a decade. Our integrated U.S., European, and Asian team has extensive global relationships and experience in providing advisory services to public companies, private business owners and private equity sponsors. Baird has advised clients ranging from buy-and-build platforms to private equity-backed sector participants to private companies to large public companies. The breadth and depth of these experiences distinguishes Baird within the Electronic Components sector as it affords our team strong insight into the market and has enabled us to build an extensive network of relationships among small to large sector participants and active Electronic Components investors.

Baird is pleased to present our Electronic Components update, which highlights sector trends and industry dynamics, key macro-economic indicators, relevant valuation and operating statistics and key M&A activity. Baird’s longstanding Electronic Components practice provides unique insights into the sector through industry relationships, relevant coverage and extensive deal experience.

Broadly defined, Electronic Components encompasses two sectors: Components (Electronic and Electrical) and Contract Manufacturing / Electronic Manufacturing Services.

COMPONENTS (ELECTRONIC AND ELECTRICAL)



- Electronic Components market consists of three categories – active, passive and electro-mechanical components
 - Active includes transistors, diodes, power supply, semiconductors, integrated circuits, etc.
 - Passive includes resistors, capacitors, inductors, transducers, antennas, etc.
 - Electro-mechanical includes fuses, switches, batteries, wire & cable, etc.

CONTRACT MANUFACTURING / ELECTRONIC MANUFACTURING SERVICES



- Contract Manufacturing (“CM”) / Electronic Manufacturing Services (“EMS”) is segmented by service type, with two broad categories of services:
 - Non-electronic (e.g., metal converters and polymer converters)
 - Electronic manufacturing
- CM / EMS market is increasingly focused on offering design & engineering, aftermarket services and software solutions

KEY END MARKETS AND APPLICATIONS



CONSUMER ELECTRONICS

Computers, Laptops, Notebooks, Tablet
Mobile Phones and Wearables
Consumer Appliances



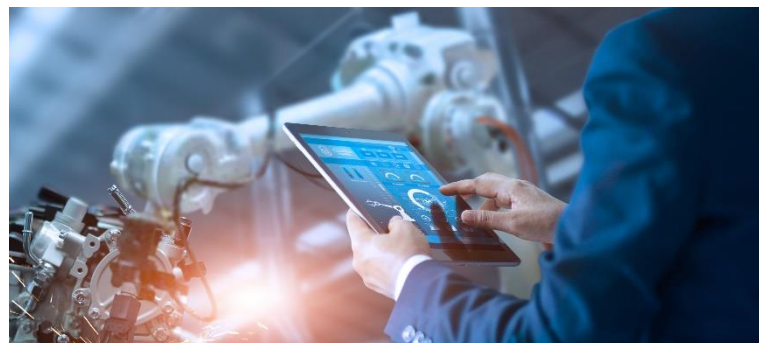
IT / TELECOMMUNICATIONS

Networking Equipment / 5G Infrastructure
Base Stations and Cloud Servers
Data Center Devices



ELECTRIC VEHICLES (AUTO, RV, MARINE, POWERSPORTS)

Autonomous Vehicles
Automotive Electronic Systems
Advanced Driver Assistance Systems



INDUSTRIAL ELECTRONICS

Industrial Automation and Motion Control
Machine Learning / Mechatronics & Robotics
Power Conversion Technology & Electronics



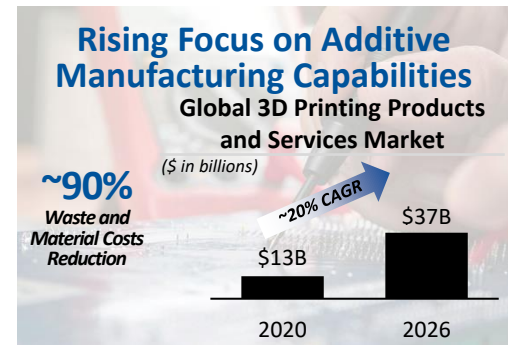
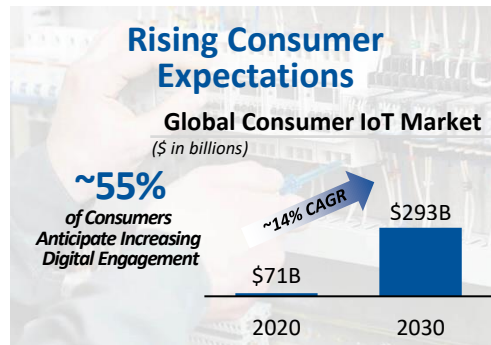
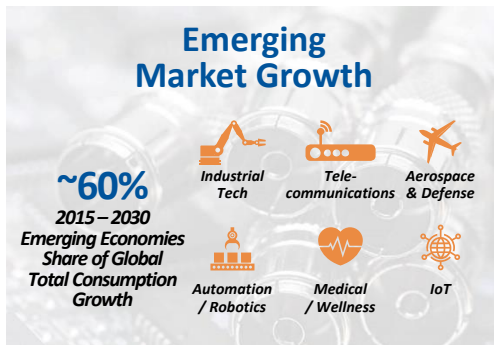
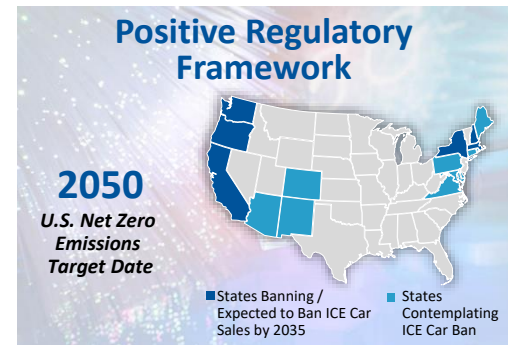
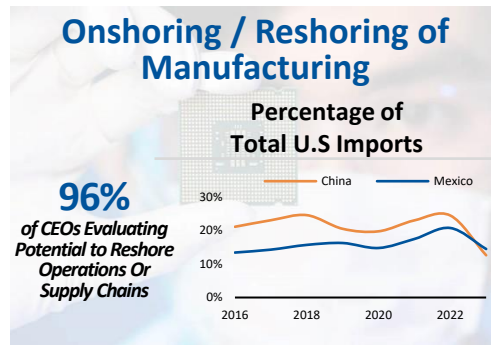
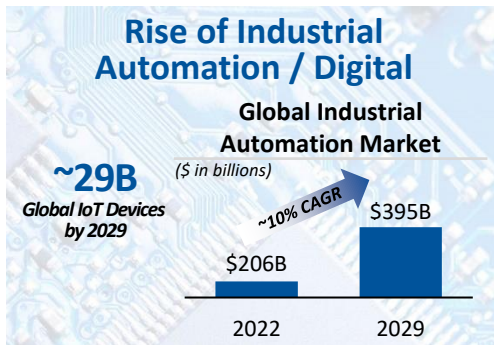
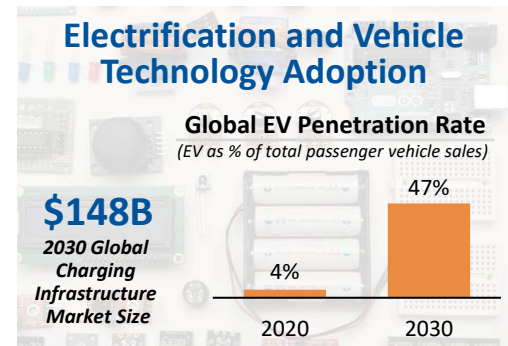
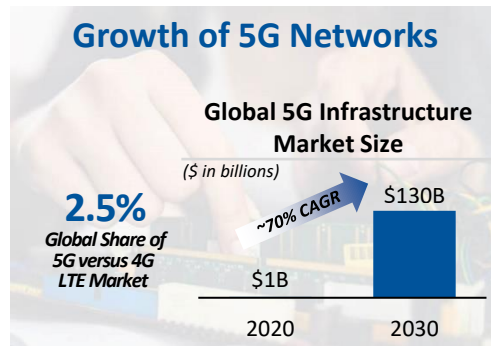
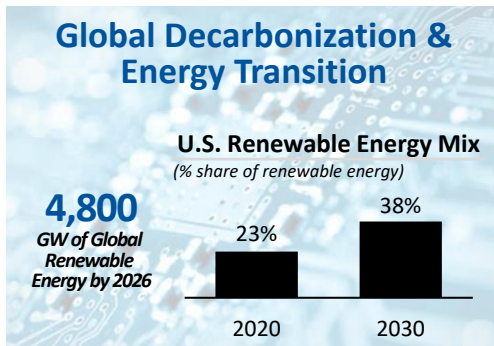
MEDICAL TECHNOLOGY

Medical Devices / Electronic Equipment
Connected Fitness / Personal Care Devices
Medical Imaging, Testing & Diagnostics



AEROSPACE & DEFENSE

Commercial and Defense
Avionic Systems and Subsystems
Communications / Navigation and Detection



KEY FAVORABLE MARKET TRENDS DEMONSTRATING STRONG, CONTINUED GROWTH

- Global decarbonization mandates driving modernization of grids to increase efficiency and integrate renewable energy sources (RES)
- Continued rollout of 5G drives demand for electronic components, requiring at least twice the content vs. 4G
- Shift from ICE to electric drivetrains will drive demand for power electronics, wire harnesses and control panels; expanding charging infrastructure globally requires remote management and EV charge controllers
- Accelerated shift towards global operations and workplace automation driven by need to increase productivity, precision, and flexibility
- Continued automation and deployment of smart systems driven by machine to machine and IoT drives demand for sensors, connectors and cables
- Disruption of the global supply chain has triggered a need for supply chain security, leading manufacturers to onshore / re-shore critical components of the supply chains

SELECTED MARKET PARTICIPANTS

BAIRD

ELECTRONIC COMPONENTS



Amphenol

• A P T I V •

ARROW



BELDEN
SENDING ALL THE RIGHT SIGNALS

CARLISLE

COMMSCOPE®

CORNING

CTS

DATWYLER

ENCORE WIRE®



HUBER+SUHNER

legrand®

Littelfuse®

METHODE ELECTRONICS, INC.

Prysmian Group

Schneider Electric

Sensata Technologies

TE connectivity

CONTRACT MANUFACTURING / ELECTRONIC MANUFACTURING SERVICES

Benchmark electronics

Celestica™

cicor

Ducommun

fabrinet

flex®

FOXCONN®

JABIL

Nolato
EMC & THERMAL SOLUTIONS

OSI SYSTEMS, INC.

PLEXUS

SANMINA

TTM Technologies
Time-To-Market Interconnect Solutions

UCT

SELECTED MARKET COMMENTARY – ELECTRONIC COMPONENTS

Company	Most Recent Quarter Results	Market Commentary												
 <p>POWER PROTECT CONNECT</p>	<p>(Quarter Ended September 2023)</p> <table border="1"> <thead> <tr> <th></th> <th>Actuals</th> <th>Est.</th> <th>Surprise %</th> </tr> </thead> <tbody> <tr> <td>Rev. (\$)</td> <td>159</td> <td>158</td> <td>0.11%</td> </tr> <tr> <td>EPS</td> <td>1.46</td> <td>1.18</td> <td>23.73%</td> </tr> </tbody> </table> <p>Rev. ↑ EPS ↑</p>		Actuals	Est.	Surprise %	Rev. (\$)	159	158	0.11%	EPS	1.46	1.18	23.73%	<p>“...Inflation is all around... [and] it impacts all suppliers as well and customers. Hence, the inflation is something that everybody is wrestling with and how to contain it. As [the industry] thinks about automation [and] streamlining, there's a big emphasis on ensuring efficient operations.”</p> <p>— Bel Fuse Earnings Call (Oct '23)</p>
	Actuals	Est.	Surprise %											
Rev. (\$)	159	158	0.11%											
EPS	1.46	1.18	23.73%											
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	Actuals	Est.	Surprise %											
Rev. (\$)	627	626	0.12%											
EPS	1.78	1.76	1.14%											
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	Actuals	Est.	Surprise %											
Rev. (\$)	135	142	(7.52)%											
EPS	0.54	0.54	-											
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	Actuals	Est.	Surprise %											
Rev. (\$)	607	585	3.82%											
EPS	2.97	2.62	13.36%											
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	Actuals	Est.	Surprise %											
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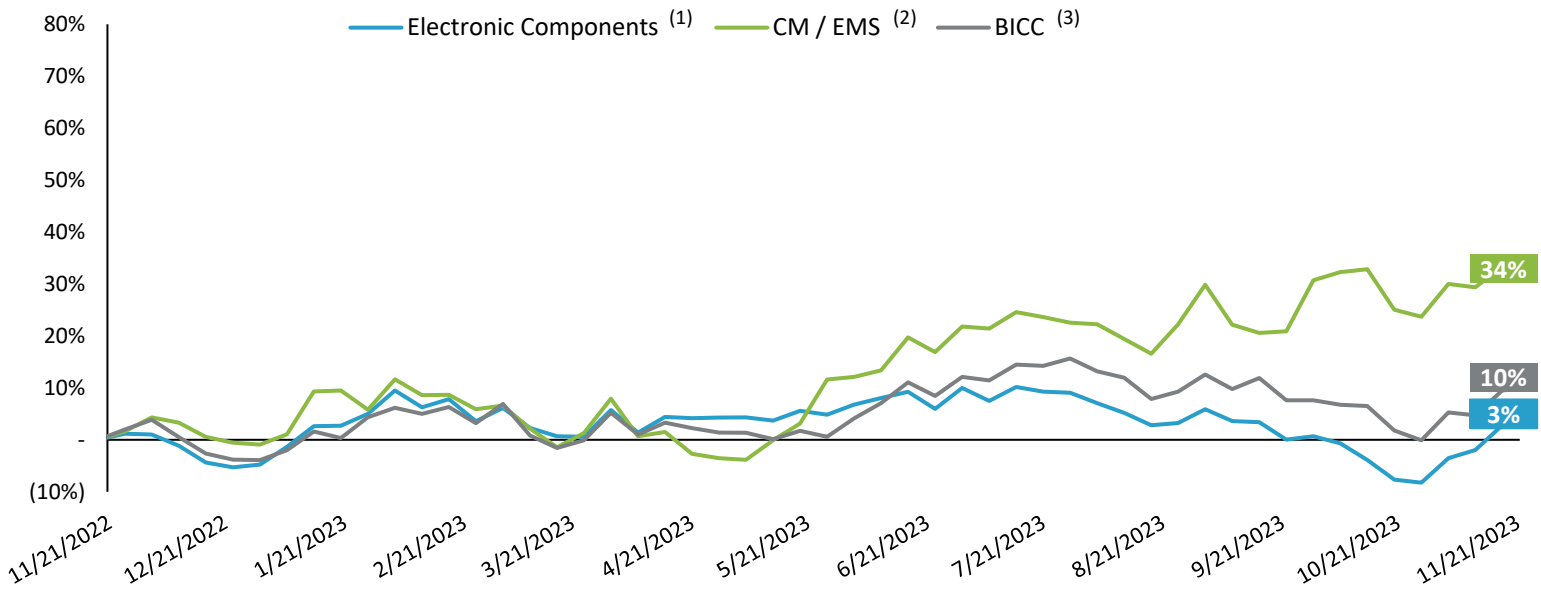
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	Actuals	Est.	Surprise %											
Rev. (\$)	8,458	8,456	(1.03%)											
EPS	2.45	2.32	5.60%											
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	Actuals	Est.	Surprise %											
Rev. (\$)	656	641	2.25%											
EPS	1.86	1.80	3.33%											
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	Actuals	Est.	Surprise %											
Rev. (\$)	1,024	1,019	0.45%											
EPS	1.44	1.26	14.29%											
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	Actuals	Est.	Surprise %											
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EPS	0.91	0.86	5.81%											
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	Actuals	Est.	Surprise %											
Rev. (\$)	573	571	0.34%											
EPS	0.43	0.28	53.57%											

MARKET PERFORMANCE OVERVIEW

- CM / EMS companies have outperformed over the LTM period, followed by Electronic Components which has closely tracked the broader industrial market
- Valuation multiples have remained consistent over the last twelve months, with Electronic Components continuing to trade at a premium relative to CM / EMS and the broader industrial market
- Valuation gap between Electronic Components and CM / EMS has narrowed slightly over the last twelve months

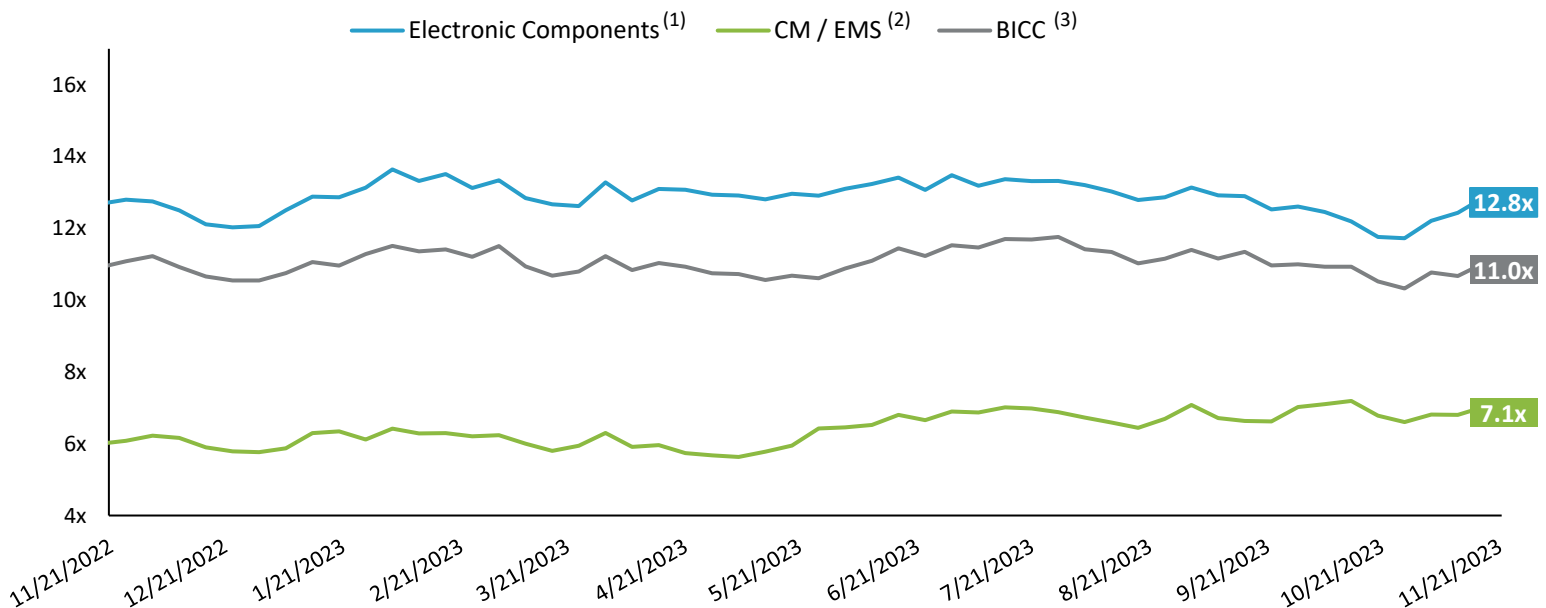
LTM STOCK PERFORMANCE

(Dividend-adjusted, Indexed Performance)



LTM EV / EBITDA

(Median NTM EV / EBITDA Multiples)



Source: Capital IQ and Company financials as of November 2023.

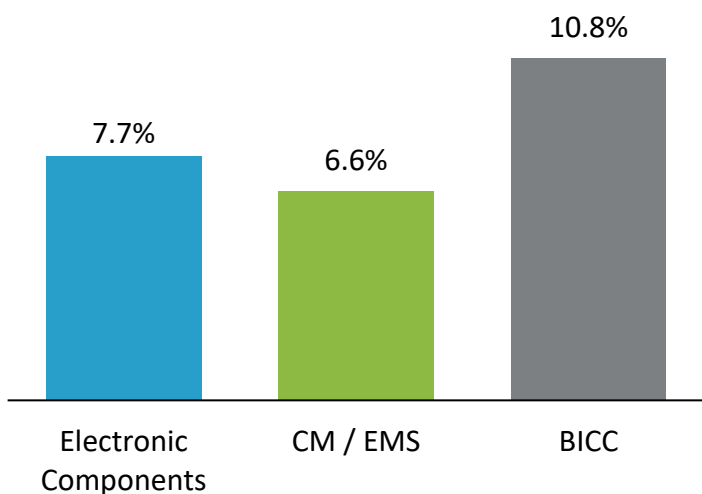
(1) Electronic Components consists of AEIS, APH, APTV, ARW, BELF.A, BDC, CSL, CTS, COMM, GLW, DAE, WIRE, HUBB, HUBN, LR, LFUS, MEI, PRY, SU, ST and TEL.

(2) CM / EMS consists of BHE, CLS, CICN, DCO, FN, FLEX, 2354, JBL, KE, NOLA B, OSIS, PLXS, SANM, TTMI and UCTT.

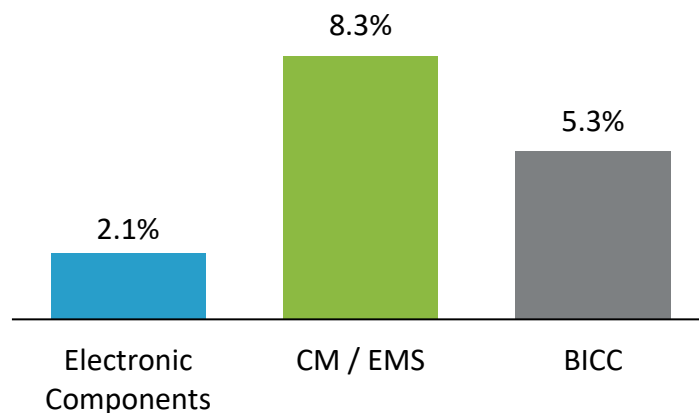
(3) Baird Industrial Company Composite ("BICC") represents ~500 companies which Baird views as indicative of the publicly traded industrial universe.

MARKET PERFORMANCE OVERVIEW (CONT'D)

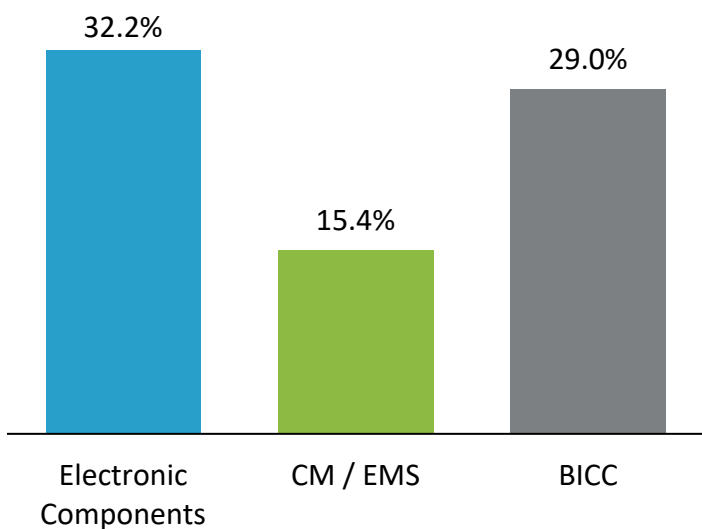
HISTORICAL REVENUE GROWTH (2020 – 2023E)



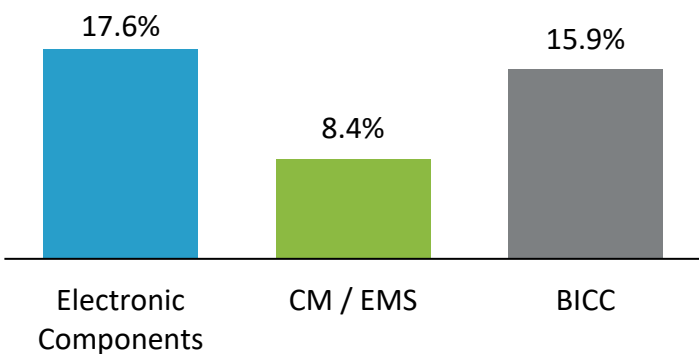
PROJECTED REVENUE GROWTH (2024P)



2024P GROSS MARGIN



2024P EBITDA MARGIN



- Electronic Components companies have lagged historical revenue growth vs. the broader industrial market, but CM / EMS companies are expecting to outperform topline growth vs. the BICC in 2024
- Electronic Component companies are expected to exhibit higher gross margins than both CM / EMS and the BICC in 2024
- Overall margins have tightened in recent years driven by an increasingly competitive labor market, volatile raw material prices and customers' heightened focus on operating costs
- Margins are expected to increase across the Electronic Components and CM / EMS sector as companies continue to leverage operational efficiencies, implement technology and innovation, continue to add value-added services and further diversify across customers and end markets

Source: Capital IQ and Company financials as of November 2023.


















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PUBLIC PERFORMANCE (VALUATION)


















BAIRD

Company	Stock Price	% 52Wk High	Market Cap.	Enterprise Value	EV / EBITDA	
					2023E	2024P
ELECTRONIC COMPONENTS						
 Advanced Energy	\$96.89	76.7%	\$3,612	\$3,653	14.3x	12.4x
Amphenol	89.55	99.2%	53,579	56,218	19.2	17.9
• A P T I V •	81.46	65.2%	23,042	28,523	10.3	8.6
	123.38	83.7%	6,682	10,621	6.1	7.1
 bel	53.50	77.3%	690	672	5.7	N/A
 BELDEN <small>SENDING ALL THE RIGHT SIGNALS</small>	69.35	70.0%	2,891	3,593	8.3	9.2
	274.36	94.9%	13,322	15,500	13.9	13.1
COMMSCOPE®	1.91	20.4%	405	10,605	10.3	10.1
CORNING	28.29	76.3%	24,136	31,268	8.5	8.2
	39.30	79.2%	1,225	1,170	9.9	9.6
	215.34	76.0%	3,661	4,331	18.2	15.9
	192.33	93.0%	3,034	2,453	5.1	6.5
	300.75	88.4%	16,127	17,128	14.3	13.2
	74.42	71.2%	1,380	1,257	9.8	8.6
	95.55	93.7%	25,218	27,573	12.4	12.2
	237.22	76.5%	5,907	6,392	12.1	12.5
	24.07	46.8%	867	1,089	10.5	5.9
	39.72	90.6%	10,828	13,392	7.6	7.7
	178.68	97.2%	100,217	115,993	14.3	13.5
	32.32	59.5%	4,892	7,803	8.6	8.0
	131.26	89.5%	40,793	43,859	12.4	11.5
Mean					11.0x	10.6x
Median					10.3x	9.8x

Source: Capital IQ as of November 2023. \$ in Millions.
















PUBLIC PERFORMANCE (OPERATING)

BAIRD

Company	LTM Revenue	LTM Margins		Revenue Growth		EBITDA Growth	
		Gross	EBITDA	2023E	2024P	2023E	2024P
ELECTRONIC COMPONENTS							
 Advanced Energy	\$1,741	36.2%	13.8%	(10.1%)	4.0%	(16.6%)	15.5%
Amphenol	12,466	32.3%	23.8%	(1.9%)	6.1%	(2.1%)	7.2%
• A P T I V •	19,772	16.8%	13.5%	14.9%	8.3%	30.4%	19.0%
	34,581	12.6%	5.2%	(10.8%)	(6.9%)	(22.6%)	(14.1%)
	669	32.5%	16.1%	(0.6%)	0.1%	38.3%	N/A
 BELDEN <small>SENDING ALL THE RIGHT SIGNALS</small>	2,620	38.0%	16.9%	(4.8%)	(6.9%)	0.1%	(9.0%)
	5,752	32.5%	21.6%	(31.1%)	4.4%	(28.5%)	6.7%
COMMSCOPE®	7,837	33.2%	14.8%	(23.6%)	(7.3%)	(14.1%)	2.2%
CORNING	13,000	32.9%	20.8%	(4.4%)	1.6%	9.0%	4.3%
	568	35.7%	21.0%	(6.2%)	0.0%	(9.6%)	2.7%
	1,354	20.8%	17.3%	7.6%	5.2%	0.3%	14.6%
	2,628	29.2%	22.7%	(16.0%)	3.3%	(48.6%)	(22.3%)
	5,247	34.4%	21.6%	8.0%	7.3%	40.5%	8.3%
	1,067	34.9%	13.1%	(4.0%)	5.0%	(9.7%)	14.5%
	8,989	51.9%	21.5%	4.4%	2.6%	22.0%	1.4%
	2,442	38.5%	22.8%	(5.9%)	0.0%	(19.4%)	(3.2%)
	1,187	21.7%	11.4%	(1.0%)	4.4%	(31.4%)	76.8%
	16,726	36.1%	8.4%	0.2%	1.7%	47.7%	(1.3%)
	39,009	41.5%	18.9%	8.1%	5.0%	18.8%	6.2%
	4,076	32.8%	22.2%	0.3%	3.3%	3.9%	8.2%
	16,034	31.5%	21.5%	(1.5%)	2.9%	(3.9%)	8.1%
Mean	\$9,417	32.2%	17.6%	(3.7%)	2.1%	0.2%	7.3%
Median	\$5,247	32.9%	18.9%	(1.9%)	3.3%	(2.1%)	6.5%

PUBLIC PERFORMANCE (VALUATION)

BAIRD

Company	Stock	% 52Wk	Market	Enterprise	EV / EBITDA	
	Price	High	Cap.	Value	2023E	2024P
CONTRACT MANUFACTURING / EMS						
 Benchmark electronics	\$25.70	87.2%	\$917	\$1,219	8.2x	N/A
 Celestica™	28.11	99.1%	3,355	3,786	6.7	6.3
 cicor	49.76	90.0%	157	228	4.9	4.3
 Ducommun	49.81	85.5%	727	1,004	9.5	8.4
 fabrinet	171.18	93.2%	6,219	5,563	16.6	N/A
 flex.	26.54	91.8%	11,541	13,000	6.3	5.8
 FOXCONN ®	1.68	84.4%	2,379	960	6.2	4.4
 JABIL	132.42	93.7%	16,942	18,648	7.1	6.9
 Kimball Electronics	25.47	81.0%	633	873	6.7	6.3
 Nolato EMC & THERMAL SOLUTIONS	5.05	77.2%	1,362	1,487	12.1	10.2
 OSI SYSTEMS, INC.	118.99	85.1%	2,021	2,350	9.8	8.5
 PLEXUS	106.88	92.6%	2,936	3,157	11.2	9.7
 SANMINA	50.18	72.7%	2,852	2,750	4.7	4.2
 TTM Technologies Time-To-Market Interconnect Solutions	14.40	82.5%	1,472	2,032	6.5	5.3
 UCT	26.64	65.3%	1,194	1,539	12.4	8.4
Mean					8.6x	6.8x
Median					7.1x	6.3x

Source: Capital IQ as of November 2023. \$ in Millions.

PUBLIC PERFORMANCE (OPERATING)

BAIRD

Company	LTM	LTM Margins		Revenue Growth		EBITDA Growth	
	Revenue	Gross	EBITDA	2023E	2024P	2023E	2024P
CONTRACT MANUFACTURING / EMS							
 Benchmark electronics	\$2,898	9.4%	5.4%	(1.2%)	1.8%	8.1%	N/A
 Celestica™	7,863	9.4%	6.9%	9.0%	7.0%	26.7%	6.3%
 cicor	396	45.1%	10.9%	31.7%	9.3%	34.6%	14.0%
 Ducommun	753	21.3%	10.5%	6.7%	6.9%	36.3%	12.2%
 fabrinet	2,675	12.6%	11.4%	9.0%	12.9%	20.2%	11.0%
 flex.	30,040	8.1%	6.1%	(1.9%)	1.6%	25.3%	9.0%
 FOXCONN ®	2,871	6.7%	3.8%	(5.4%)	18.8%	14.1%	41.8%
 JABIL	34,702	8.3%	7.3%	(1.8%)	1.5%	9.2%	2.4%
 Kimball Electronics	1,856	8.8%	7.1%	17.0%	4.4%	20.7%	6.4%
 Nolato EMC & THERMAL SOLUTIONS	886	13.5%	11.5%	(10.3%)	5.2%	(0.8%)	18.8%
 OSI SYSTEMS, INC.	1,290	34.3%	13.3%	14.0%	14.2%	52.2%	15.3%
 PLEXUS	4,210	9.4%	6.9%	1.0%	11.4%	5.1%	14.8%
 SANMINA	8,935	8.3%	6.5%	(0.7%)	9.8%	13.3%	12.3%
 TTM Technologies Time-To-Market Interconnect Solutions	2,281	18.4%	11.7%	(10.4%)	6.5%	5.3%	23.5%
 UCT	1,856	17.0%	7.3%	N/A	12.9%	N/A	47.6%
Mean	\$6,901	15.4%	8.4%	4.1%	8.3%	19.3%	16.8%
Median	\$2,675	9.4%	7.3%	0.1%	7.0%	17.1%	13.1%

Source: Capital IQ as of November 2023. \$ in Millions.

SELECT 2023 M&A ACTIVITY

Target



Acquiror



Announced: August 2023

- Nelson Miller Group completed the acquisition of Injection Works
- Injection Works is a provider of complex, custom thermoplastic injection molded plastic components and assemblies

Injection Works provides a key manufacturing capability that will allow NMG to offer a broader range of products and further our goal of having more control over the supply chain while also being geographically close to customers. – Nelson Miller

Target



Acquiror



Announced: July 2023

- Live Ventures completed the acquisition of Precision Metal Works
- Precision Metal works is a manufacturer and supplier of highly engineered parts and components

PMW is strategically positioned for ongoing expansion, thanks to substantial investments in top-of-the-line equipment, exceptional management and strong customer and supplier relationships. – Live Ventures

Target



Acquiror



Announced: April 2023

- East West Manufacturing entered into a definitive agreement with Eastprint Incorporated
- Eastprint is a printer of electronics solutions provider

Eastprint delivers differentiated capabilities and applications, in addition to strong customer relationships in highly attractive end markets and expands the footprint in Massachusetts and Mexico. – East West Manufacturing

Target



Acquiror



Announced: April 2023

- Olympus Partners and Atlas Holdings jointly entered into a definitive agreement to acquire International Wire Group
- IWG is a manufacturer of wire products for other wire suppliers, distributors and original equipment manufacturers

IWG has distinguished itself as a leader in the wire and cable industry with their skilled team, breadth of products and engineering capacity...further bolstering their leadership position and growth. – Olympus Partners

Target



Acquiror



Announced: April 2023

- Transom Capital Group announced the acquisition of Bose Corporation's "Bose Professional" division
- Bose Professional is a developer and installer of commercial and conferencing audio solutions

Bose Professional's tenure in the audio business, its standout product portfolio and customers, as well as its team dedicated to researching, engineering and delivering new and innovative products, made it a compelling business. – Transom Capital

Target



Acquiror



Announced: February 2023

- CORE Industrial Partners entered into a definitive agreement with GEM Manufacturing
- GEM Manufacturing is a provider of precision deep drawn metal components and mechanical assemblies

GEM's broad manufacturing capabilities, extensive capacity, international reach and collaborative, customer-oriented approach collectively form a compelling foundation as a new platform investment. – Core Industrial

SELECTED ELECTRONIC COMPONENTS / CM / EMS SECTOR TOMBSTONES

Provider to high voltage transmission and substation connector products

Distributor of electronics, automation and measurement technology

Provider of electronic connectivity products

Provider of integrated global design, manufacturing and distribution services

Distributor of industrial parts and automation equipment

Supplier of electronic components and private label connectivity products

Provider of motion technology & integrated propulsion systems with medical applications

Provider of highly-engineered, high-quality cable management and protection solutions

Provider of security cameras, recording and management systems, software and services

Manufacturer of specialty thermal management and environment sealing solutions

Manufacturer of precision data acquisition and control solutions

Designer and manufacturer of advanced thermal management solutions

Supplier of wired and wireless connectivity products

Supplier of engineering grade radio frequency (RF) technology components

Provider of cable management solutions for the automotive industry

Manufacturer of card readers that support non-door applications

Manufacturer of control panel and cable systems

Manufacturer of vision systems for flaw detection

Manufacturer of specialty thermal management and environment sealing solutions

Provider of fiber optic and microwave-coaxial technologies

Manufacturer of electronic instruments

Manufacturer of hot runner systems for the plastics injection molding industry

Manufacturer of specialty thermal management and environment sealing solutions

Manufacturer of measuring devices for the recording of heat and water consumption

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GLOSSARY OF TERMS & OTHER IMPORTANT INFORMATION

EBITDA – Earnings before interest, taxes, depreciation & amortization. An approximate measure of a company's operating cash flow based on data from the company's income statement.

EBIT – Earnings before income and taxes. A measure of a company's earning power from ongoing operations, equal to earnings before deduction of interest payments and income taxes.

Enterprise Value (EV) – Market value of equity plus debt less cash. A measure of what the market believes a company's ongoing operations are worth.

GDP - Gross Domestic Product – The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

LTM – Last twelve months. Time period used when referencing a financial statistic.

P/E – Price per share divided by earnings per share. The most common measure of how expensive a stock is.

The S&P 500 – An unmanaged common stock index commonly used to measure and report common stock performance.

E – Represents estimates of a company's financial performance for the next fiscal period.

P – Represents the projections of a company's financial performance succeeding the next fiscal period

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