

Molex to be Acquired By Koch Industries

Molex, Inc. announced that it has entered into a definitive agreement to be acquired by Koch Industries, one of the world's largest private companies. Koch will acquire all of Molex's outstanding stock, class A and class B for \$38.50 per share. The purchase price represents a 42% premium (31% premium on Class A; 56% premium on Class B) over the stock's September 6 closing price. The parties are targeting a calendar year end closing. The \$7.2 billion all cash Koch offer values Molex at 11.2x trailing EBITDA, and 1.9x revenue, both premium multiples relative to historical norms.

Molex will become a standalone subsidiary of Koch and will continue to be operated by the company's current management team.

Bishop & Associates Comments

Connector companies are attractive acquisitions because the industry:

- Grows at 2 to 3 times world GDP. The industry ten year CAGR (2002-20012) was 6.3%.
- Achieves an average of:
 - 12% Operating Income
 - 11% -14% Return on Equity
 - 8% -9% Net Income

Private equity and strategic companies are aware of the outstanding investment potential a connector company presents. As a result, Bishop & Associates has recorded over 300 acquisitions of connector companies since 1980. Some of the more important acquisitions in the industry are noted below:

- Mills Partners acquired Berg Electronics
- Framatome acquired Burndy Corporation and Berg Electronics which was renamed FCI.
- Bain Capital acquired FCI, which later sold FCI's microelectronics and automotive business units.
- Thomas & Betts acquired Augat
- AMP acquired M/A-Com, Thomas & Betts' connector business and many others.
- Tyco International acquired AMP which was spun off as an independent public company named TE Connectivity.
- TE acquired Deutsch
- KKR acquired Amphenol Corporation which later went public.
- Amphenol acquired Teradyne Connection Systems and many other connector companies.

In our opinion, the Koch acquisition of Molex will not, in the short term, have a material impact on the competitive landscape of the industry because Molex will continue to operate as a standalone company with the current management team. In the longer term, with the financial backing of Koch, Molex may become a more aggressive acquirer. We could also envision Molex acquiring other electronic companies that are outside, but related to, the connector space.

Regardless of the future direction taken by Molex, congratulations to Koch Industries are in order. Molex is a wonderful company with an excellent management team. We believe Koch's financial strength will add greatly to Molex's future success.

Bishop & Associates provides consulting services to buyers and sellers in the connector and cable assembly space. We bring the M&A execution capabilities of Intrepid Investment Bankers LLC on exclusive sell side engagements. Our combined capabilities include in-depth industry knowledge, access to industry leaders and the private equity community, and M&A execution capabilities worldwide.

If you are considering a strategic alternative, and would like more details, please contact:

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