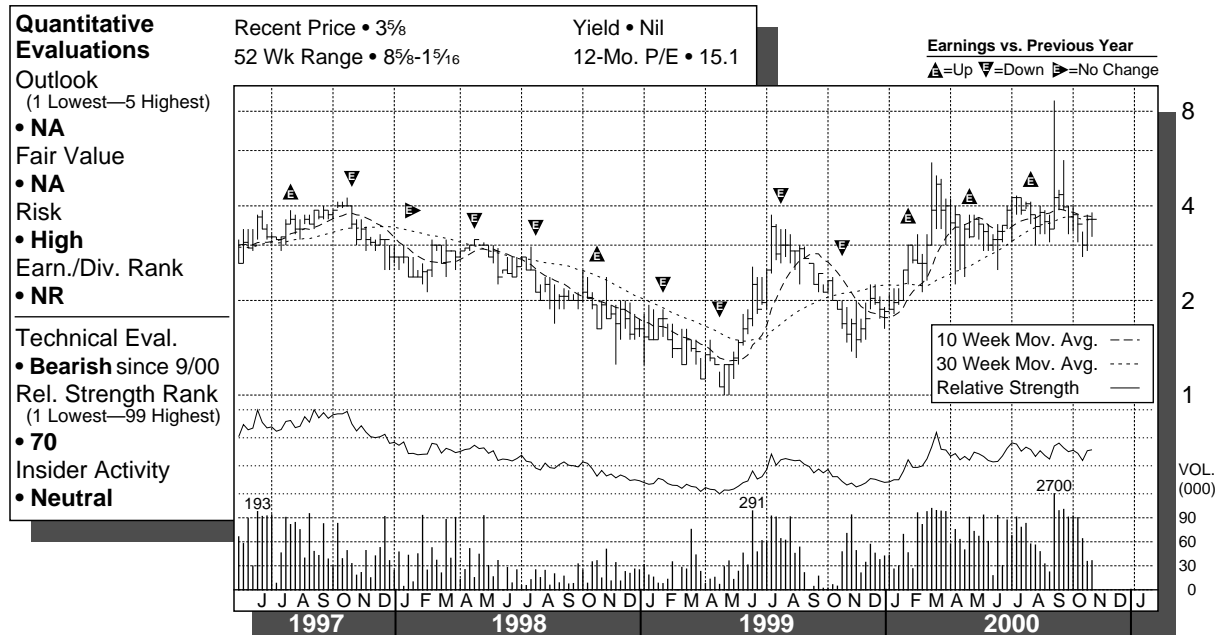


**28-OCT-00** **Industry:**  
Electronics (Component Distributors)

**Summary:** This company distributes a variety of transistors, diodes and other discrete semiconductors, optoelectronic devices, and passive components.



**Business Profile - 23-OCT-00**

The company's strategy for growth includes increasing sales to existing customers through further expansion of the number of different types of discrete component and other non-integrated circuit components in its inventory, and by attracting additional contract electronic manufacturers, original equipment manufacturers, and semiconductor distributors. During the first half of 2000, demand for discrete semiconductors increased, causing shortages and higher prices. With \$29 million of inventory as of June 30, 2000, TAIT expected to assist customers in absorbing some of the price increases, while still benefiting from wider profit margins.

**Operational Review - 23-OCT-00**

Net sales in the first half of 2000 advanced 20%, year to year, led by growth in domestic passive components sales volume, attributed to industrywide increases in demand. Gross margins widened, on the higher volume; with a 17% rise in SG&A expenses and lower interest expense, pretax income climbed 80%. After taxes at 41.0%, versus 42.9%, net income soared 86%, to \$986,000 (\$0.16 a share), from \$529,000 (\$0.09).

**Stock Performance - 27-OCT-00**

In the past 30 trading days, TAIT's shares have declined 9%, compared to a 6% fall in the S&P 500. Average trading volume for the past five days was 7,240 shares, compared with the 40-day moving average of 32,115 shares.

**Key Stock Statistics**

Dividend Rate/Share	Nil	Shareholders	100
Shs. outstg. (M)	5.8	Market cap. (B)	\$0.018
Avg. daily vol. (M)	0.011	Inst. holdings	9%
Tang. Bk. Value/Share	4.35		
Beta	0.28		

Value of \$10,000 invested 5 years ago: NA

**Fiscal Year Ending Dec. 31**

	2000	1999	1998	1997	1996	1995
<b>Revenues (Million \$)</b>						
1Q	8.35	6.81	8.57	8.02	8.07	—
2Q	8.83	7.49	7.65	8.50	7.82	—
3Q	—	7.75	7.79	8.68	6.94	—
4Q	—	7.28	6.82	8.75	7.30	—
Yr.	—	29.33	30.83	33.95	30.13	35.94

	2000	1999	1998	1997	1996	1995
<b>Earnings Per Share (\$)</b>						
1Q	0.07	0.04	0.08	0.09	0.11	0.17
2Q	0.09	0.04	0.07	0.09	0.08	0.17
3Q	—	0.04	0.06	0.04	0.06	0.13
4Q	—	0.04	0.03	0.06	0.06	0.19
Yr.	—	0.17	0.24	0.27	0.31	0.68

**Next earnings report expected: early November**

**Dividend Data**

No cash dividends have been paid. The company intends to retain earnings to finance the development of its operations and does not anticipate paying cash dividends in the foreseeable future.

**Business Summary - 23-OCT-00**

Taitron Components, which refers to itself as a discrete components superstore, distributes a wide variety of transistors, diodes and other discrete semiconductors, optoelectronic devices and passive components to electronic distributors, original equipment manufacturers (OEMs), and contract electronic manufacturers.

Discrete semiconductors are basic electronic building blocks generally found in the electronic or power supply circuitry of products including automobiles, televisions, radios, telephones, computers, medical equipment, airplanes, industrial robotics and household appliances. The term discrete is used to differentiate single function semiconductor products, such as transistors or diodes, from those that are integrated into microchips and other integrated circuit devices.

The company distributes more than 12,000 different products manufactured by more than 65 different suppliers. In order to meet the rapid delivery requirements of its customers, TAIT maintains a significant inventory of discrete components. At 1999 year end, its inventory consisted of more than 1.1 billion components.

Products sold include rectifiers, which are generally used in power supply and other high power applications to convert alternating current to direct current; diodes, which are two-lead semiconductors that only allow electric current to flow in one direction; and transistors,

which are used in the processing or amplification of electric current and electronic signals, including data, television, sound and power.

The company also offers optoelectronic devices (solid state products that provide light displays), such as LEDs, optical links, and fiber-optic signal coupling. Applications range from digital displays on consumer video equipment to fiberoptic transmission of computer signals to pattern sensing for regulation, such as in automobile cruise control controls. Passive components, which are a type of electronic component manufactured with non-semiconductor materials, include resistors, capacitors and inductors used in electronic circuitry.

The company maintains a broad line of brands and products, including a Taitron label produced by certain suppliers on selected products. In 1999, TAIT purchased products from more than 65 suppliers, including Everlight Electronics, Fairchild Semiconductor, General Semiconductor, Hi-Sincerity Microelectronics, Master Instruments, United Parts Mart, and Vishay Electronic Components.

In 1999, TAIT invested in a new 55,000 sq. ft. warehouse; new outside sales offices in Arizona, California, Florida, and New York; a wireless warehouse management system; and various computer upgrades. The company believed these investments would increase efficiency, improve inventory turns, and lead to reduced operating costs.

**Per Share Data (\$)**

(Year Ended Dec. 31)	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Tangible Bk. Val.	4.35	4.09	3.78	3.48	3.17	2.44	NA	NA	NA	NA
Cash Flow	0.24	0.29	0.33	0.33	0.71	0.44	NA	NA	NA	NA
Earnings	0.17	0.24	0.27	0.31	0.69	NA	NA	NA	NA	NA
Dividends	Nil	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA
Payout Ratio	Nil	Nil	Nil	Nil	Nil	NA	NA	NA	NA	NA
Prices - High	3 <sup>3</sup> / <sub>4</sub>	3 <sup>1</sup> / <sub>8</sub>	4 <sup>1</sup> / <sub>4</sub>	8	12	NA	NA	NA	NA	NA
- Low	1	1 <sup>1</sup> / <sub>4</sub>	2 <sup>3</sup> / <sub>8</sub>	2 <sup>1</sup> / <sub>16</sub>	6	NA	NA	NA	NA	NA
P/E Ratio - High	22	13	16	25	17	NA	NA	NA	NA	NA
- Low	6	5	9	6	8	NA	NA	NA	NA	NA

**Income Statement Analysis (Million \$)**

Revs.	29.3	30.8	33.9	30.1	35.9	24.6	NA	NA	NA	NA
Oper. Inc.	2.8	3.8	4.4	4.7	7.4	3.6	NA	NA	NA	NA
Depr.	0.4	0.3	0.3	0.1	0.2	0.1	NA	NA	NA	NA
Int. Exp.	0.9	1.1	1.0	1.0	0.1	0.4	NA	NA	NA	NA
Pretax Inc.	1.8	2.5	3.1	3.6	7.1	3.0	NA	NA	NA	NA
Eff. Tax Rate	42%	41%	40%	40%	40%	41%	NA	NA	NA	NA
Net Inc.	1.0	1.5	1.9	2.2	4.3	1.8	NA	NA	NA	NA

**Balance Sheet & Other Fin. Data (Million \$)**

Cash	0.3	0.4	0.2	0.3	1.1	0.1	NA	NA	NA	NA
Curr. Assets	34.6	41.3	41.9	40.0	34.8	16.9	NA	NA	NA	NA
Total Assets	41.1	44.6	45.0	42.3	36.4	18.5	NA	NA	NA	NA
Curr. Liab.	12.2	16.0	17.1	14.7	13.9	11.0	NA	NA	NA	NA
LT Debt	3.4	3.5	3.5	3.5	0.5	NA	NA	NA	NA	NA
Common Eqty.	25.4	25.1	24.4	24.1	22.0	6.3	NA	NA	NA	NA
Total Cap.	28.9	28.6	27.9	27.6	22.5	NA	NA	NA	NA	NA
Cap. Exp.	3.9	1.0	1.0	NA	NA	NA	NA	NA	NA	NA
Cash Flow	1.5	1.8	2.2	2.3	4.5	1.9	NA	NA	NA	NA
Curr. Ratio	2.8	2.6	2.4	2.7	2.5	1.5	NA	NA	NA	NA
% LT Debt of Cap.	11.9	12.1	12.5	12.7	2.2	NA	NA	NA	NA	NA
% Net Inc. of Revs.	3.5	4.9	5.5	7.2	12.0	7.2	NA	NA	NA	NA
% Ret. on Assets	2.4	3.3	4.2	5.5	15.7	NA	NA	NA	NA	NA
% Ret. on Equity	4.1	6.1	7.6	9.4	30.3	NA	NA	NA	NA	NA

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. Bold denotes diluted EPS (FASB 128)-prior periods restated. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office—25202 Anza Dr., Santa Clarita, CA 91355. Tel—(661) 257-6060. Website—<http://www.taitroncomponents.com> Chrmn—J. Ku. Pres & CEO—S. Wang. CFO & Secy—S. H. Dong. Dirs—R. Chiang, W. Gu, J. Ku, F. Sung, S. Wang. Transfer Agent & Registrar—American Stock Transfer & Trust Co., NYC. Incorporated—in California in 1989. Empl—65. S&P Analyst: Shira Rosenbaum

## NEWS HEADLINES

■ **07/27/00** NEW YORK (Standard & Poor's)--Jul 24, 2000, TAITRON COMPONENTS INC., announced 2Q EPS \$0.09 vs. \$0.04 and 6 mos. EPS \$0.16 vs. \$0.09.

■ **05/01/00** NEW YORK (Standard & Poor's)--Apr. 26, 2000, TAITRON COMPONENTS INC., announced 1Q EPS \$0.07 vs. \$0.04.

■ **02/29/00** NEW YORK (Standard & Poor's)--Feb 28, 2000, TAITRON COMPONENTS INC., announced 4Q EPS \$0.04 vs. \$0.03 and annual EPS \$0.17 vs. \$0.24.

■ **11/05/99** NEW YORK (Standard & Poor's)--Nov 4, 1999, TAITRON COMPONENTS INC., announced 3Q

EPS \$0.04 vs. \$0.06 and 9 mos. EPS \$0.13 vs. \$0.21.

■ **08/10/99** Aug. 9, 1999, Taitron Components Inc., announced June '99 3 mos. EPS, \$0.04 vs \$0.07 and 6 mos. EPS, \$0.09 vs \$0.14.

■ **05/17/99** May 14, 1999, Taitron Components Inc., announced Mar. '99 3 mos. EPS, \$0.04 vs \$0.08.

This report is provided for information purposes only. It should not be considered as a solicitation to buy or offer to sell any security. Neither S&P, its licensors nor any other party guarantee its accuracy or completeness or make any warranties regarding results from its usage. Redistribution or reproduction is prohibited without written permission.

Copyright © 2000 The McGraw-Hill Companies, Inc. This investment analysis was prepared from the following Sources: S&P MarketScope, S&P Compustat, S&P Stock Guide, S&P Industry Reports, Vickers Stock Research, Inc., Standard & Poor's, 55 Water St., New York, NY 10041.

A Division of The McGraw-Hill Companies



## INDUSTRY OUTLOOK

Year to date through October 12, the S&P Electronics (Component Distributors) Index has trailed the broader market, falling 24.2%, versus an 8.1% loss for the S&P 1500 index. During 1999, this industry index gained 13.4%, versus an 18.8% advance for the broader market. The semiconductor industry recently passed a cyclical low and is showing solid growth in 2000. Pressure on margins, due to oversupply and aggressive pricing, has faded in recent months, reflecting the chip industry boom. The longer-term investment outlook for electronic component distributors is positive, reflecting strong secular growth opportunities. However, the possibility of a return to weaker pricing conditions remains a concern to investors. Currently, we recommend that investors market weight the segment, as long-term opportunities remain counter balanced by some near-term challenges.

Driven by the rapid adoption of "build to order" strategies, original equipment and contract manufacturers are increasingly outsourcing electronic component procurement operations. Coupled with supplier base reductions, this trend creates opportunities for electronic component distributors to take

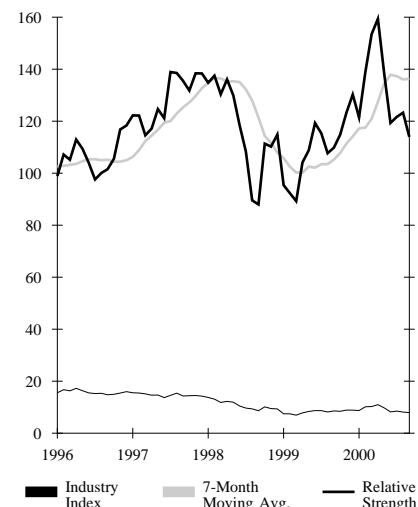
market share from the direct channel. Increasingly, large distributors are offering value-added services, such as inventory and materials management for customer-specific programs. As OEM customers realize the logistical benefits of such services, component distributors' revenue opportunities will be enhanced.

Until recently, however, positive secular developments in the distributor industry were being overwhelmed by negative cyclical trends in the component industry. Lingering oversupply in the semiconductor market was pressuring average selling prices, causing distributor revenues and margins to deteriorate. Margin pressures were being exacerbated by distributors' large "mega-customers," which have the power to demand price concessions. Beginning in late Q3 1999, the pricing pressures started to abate, as oversupply in the semiconductor industry became less severe, and distributors regained some pricing power. Although supply/demand dynamics have improved so far in 2000, and should remain positive through year-end, we continue to expect component distributor stocks to perform in-line with the broader market.

### Industry Stock Performance Related S&P 1500 Industry Index

### Electronics (Component Distributors)

### Month-end Price Performance As of 09/29/00



## INDUSTRY: ELECTRONICS (COMPONENT DISTRIBUTORS)

\*PEER GROUP: BASED ON MARKET CAPITALIZATION WITHIN INDUSTRY

Peer Group	Stock Symbol	Recent Stock Price	P/E Ratio	12-mth. Trail. EPS	30-day Price Chg %	1-year Price Chg. %	Beta	Yield %	Quality Ranking	Stk. Cap. (mil. \$)	Mkt. Cap. (mil. \$)	Ret. on Equity %	Pretax Margin %	LTD to Cap. %
<b>Taitron Components</b>	<b>TAIT</b>	<b>3.63</b>	<b>15</b>	<b>0.24</b>	<b>4%</b>	<b>132%</b>	<b>0.28</b>	<b>Nil</b>	<b>NR</b>	<b>18</b>	<b>4.1</b>	<b>6.1</b>	<b>11.9</b>	
All Amer Semiconductor	SEMI	17.94	8	2.37	3%	442%	-0.02	Nil	B-	72	6.6	1.0	72.0	
Astrex Inc	ASXI	0.50	5	0.10	-20%	NA	-0.54	Nil	NR	3	NM	NM	NA	
Avnet, Inc.	AVT	26.56	15	1.75	-9%	5%	0.68	1.1	A	2,449	8.8	2.8	43.1	
Battery Technologies	BTIOF	0.40	NM	-0.02	-36%	300%	-1.30	Nil	NR	25	NM	NM	NA	
Bell Industries	BI	1.81	3	0.56	-19%	-63%	0.84	Nil	C	16	9.1	3.8	Nil	
Bluestar Battery Sys Intl	BHW.C	0.15	NM	-2.47	67%	NA	NA	Nil	NR	4	NM	NM	7.3	
Gennum Corp	GND.C	12.65	24	0.53	-6%	-16%	NA	0.9	B+	451	31.1	30.8	Nil	
Image Processing Systems	IPV.C	2.00	NM	-0.02	0%	108%	NA	Nil	NR	40	9.9	3.1	Nil	
Jaco Electronics	JACO	12.75	7	1.82	-10%	423%	1.42	Nil	B-	72	16.4	5.2	48.8	
Kent Electronics	KNT	17.56	17	1.05	-26%	-8%	1.46	Nil	B+	500	5.5	3.0	37.3	
Micro Interconnect Tech	MITR	1.75	NM	-0.21	0%	NA	NA	Nil	NR	2	NM	NM	Nil	
Nu Horizons Electronics	NUHC	15.63	11	1.40	-12%	218%	1.35	Nil	B-	254	17.8	5.4	33.4	
Pioneer-Standard Electronics	PIOS	12.44	9	1.33	-4%	-3%	0.47	1.0	B+	392	13.5	2.8	58.9	
Premier Farnell plc	PFM	11.81	22	0.53	-13%	29%	NA	2.3	NR	1,606	652.6	14.2	71.0	

This report is provided for information purposes only. It should not be considered as a solicitation to buy or offer to sell any security. Neither S&P, its licensors nor any other party guarantee its accuracy or completeness or make any warranties regarding results from its usage. Redistribution or reproduction is prohibited without written permission. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

