



American Wire Producers Association

February 20th, 2019

Mergers & Acquisitions | Debt & Equity Placements | Financial Restructurings | Valuations & Fairness Opinions

CHICAGO

CLEVELAND

PHILADELPHIA

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BGL Introduction and Overview

Vincent Pappalardo – Professional Biography



Managing Director
Chicago

Education:

M.B.A.
University of Chicago
Finance & Business Policy

B.S.
University of Illinois
Finance

Vincent J. Pappalardo is the **Managing Director** for Brown Gibbons Lang & Company's Metals & Metals Processing practice. In that capacity, he focuses on mergers and acquisitions advisory for companies in the production and distribution of both ferrous and nonferrous metals and alloys, as well as on diversified industrial sectors. Mr. Pappalardo has more than 20 years of experience with mergers and acquisitions on both the buy-side and sell-side in domestic as well as international transactions. Additionally, he has advised clients in the private placement of debt and equity, enterprise valuations, solvency and fairness opinions and financial restructuring transactions.

Prior to joining BGL, Mr. Pappalardo was a Managing Director at Stout Risius & Ross ("SRR"). Earlier, he was a Director in Houlihan Lokey's Basic Industrial Group, focusing on the metals and industrials sectors and advising public and private clients on transactions ranging in size from \$50 million to \$500 million. During his 11 year tenure, he worked primarily in mergers and acquisitions, as well as other practice areas including valuations, solvency opinions, fairness opinions and restructuring.

Earlier in his career, Mr. Pappalardo was a Second Vice President in the corporate finance division for NBD Bank, where he assisted middle-market companies with business planning, derivatives and bond issuances.

Mr. Pappalardo has spoken as a metals industry expert for American Metal Market (AMM), Institute of Scrap Recycling Industries (ISRI), American Machinist, FABTECH, the Metal Service Center Institute (MSCI) and the Association of Steel Distributors (ASD).

He earned an M.B.A from the University of Chicago and a B.S. from the University of Illinois.

DEDICATED METALS & METALS PROCESSING PRACTICE

BGL Team



Vince Pappalardo
Managing Director

Tim Lappin
Analyst

Kit Harrison
Vice President

Seth Champness
Analyst

Speaking Engagements for Major Trade Organizations



- Upcoming speaker at Platts 14th Annual Steel Conference
- Recent speaker at 23rd Mexican Steel Forum
- Regular speaker and moderator for AMM
- Rotational speaker for ISRI
- Industry speaker for MSCI
- Annual speaker for Platts regarding M&A activity
- Exit Planning speaker at FABTECH Expo
- Past speaker for ASD
- Past speaker regarding commodity hedging for NTMA
- Past speaker at FMA



Christian Kollman



Ivan Alver



Harald Klien



David Browne



Masataka Yoshida



Jacob Hoyeon Won



Robert Bäckström



Frederic de Boer



Pablo Rion Santisteban



Emmanuel Antmann



Diego Augsburguer



Deepak Ladha

Sub-Sector Focus

Metals & Metals Processing

Service Centers

- Metal service centers
- First-stage processing
- Toll processing
- Material and supply chain management



Mills/Foundries and Smelting

- Secondary smelting
- Aluminum, steel, and specialty mills
- Mill services
- Iron and steel foundries



Manufacturing

- Precision processing, welding, and fabrication
- Casting, forging, and machining
- Stamping and blanking
- Tool and die manufacturing



Metals Recycling

- Ferrous and non-ferrous scrap processing
- Scrap brokerage
- National account management
- Mill services



Tube and Pipe

- Finishing welded and seamless tubing manufacturers
- Pipe manufacturers
- Tube and pipe distribution
- Coating and finishing



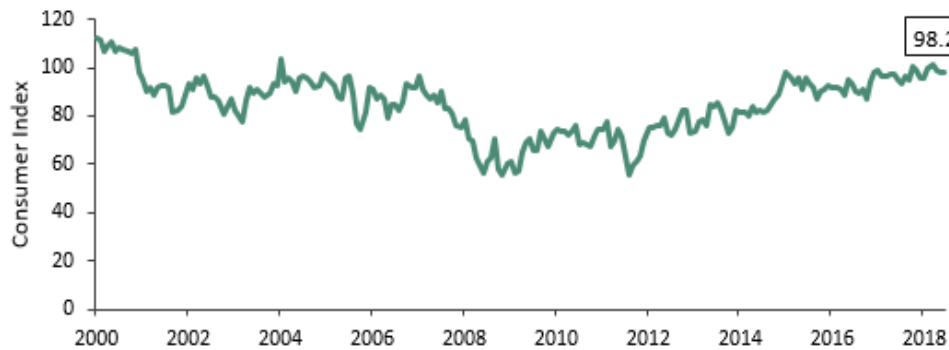


Macro-Economic Environment

MACROECONOMIC TRENDS

- Consumer confidence has stayed strong as purchase decisions have shifted from discounts on prices and interest rates to increased confidence in future job security and growth in financial assets
- Housing starts have rebounded since the trough in 2009 with more growth expected as housing starts are still significantly below their peak in 2006 and below the historical annual average of 1.4 million

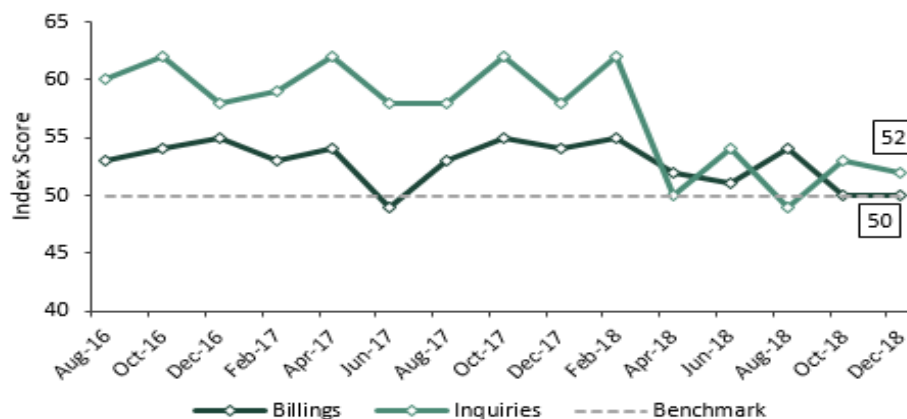
Consumer Confidence



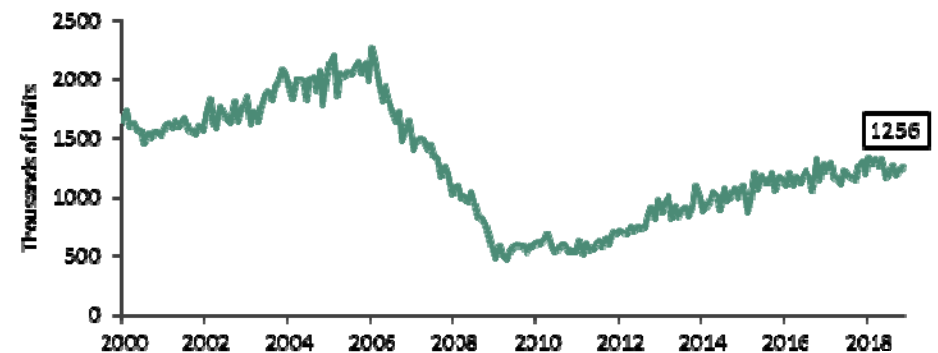
Manufacturers' New Orders: Durable Goods



Architectural Billings Index (ABI)¹



Housing Starts

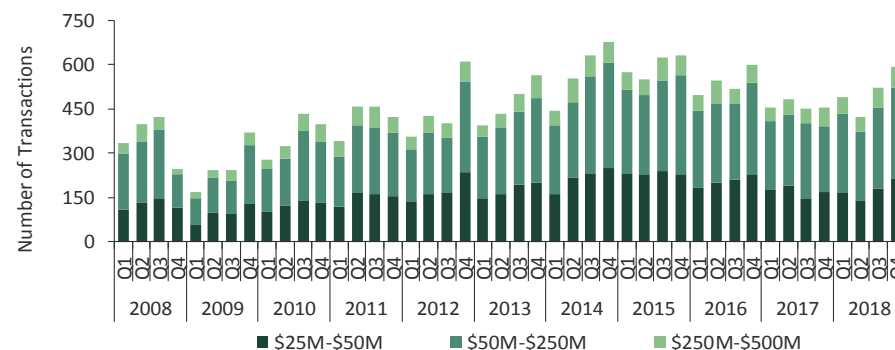


ROBUST CAPITAL MARKETS AND MIDDLE MARKET M&A ENVIRONMENT

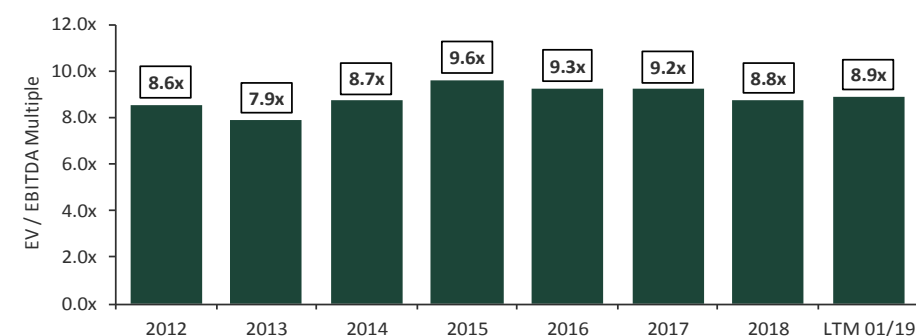
M&A Activity

- Private equity buyers forced to look at smaller transactions due to increased competition from strategic buyers
- Middle market⁽¹⁾ deal activity showed signs of slowing in Q2 2018, but recovered in Q3 and Q4 – deal activity remains high
- Transaction multiples in the U.S. remain well-above the 10-year median

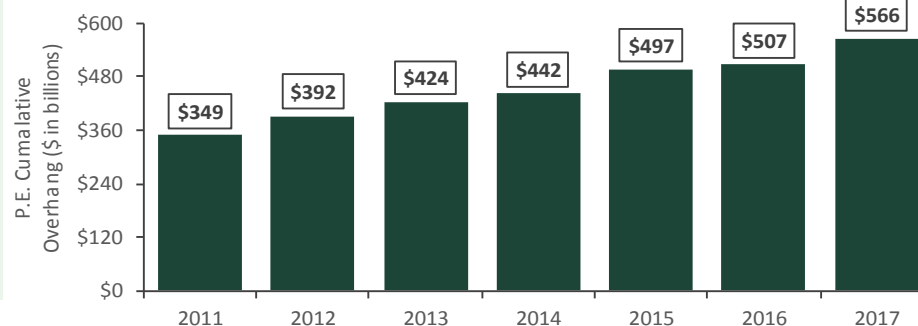
Middle Market⁽¹⁾ Transaction Volume and Value



Purchase Price Multiples of Middle Market⁽¹⁾ Strategic Acquisitions



U.S. Private Equity Cumulative Capital Overhang



Strategic Buyers

- Proven appetite for the right complementary acquisitions exists as strategic buyers seek to supplement organic revenue growth that matches the broader economy
- Strategic buyers have significant levels of cash on hand

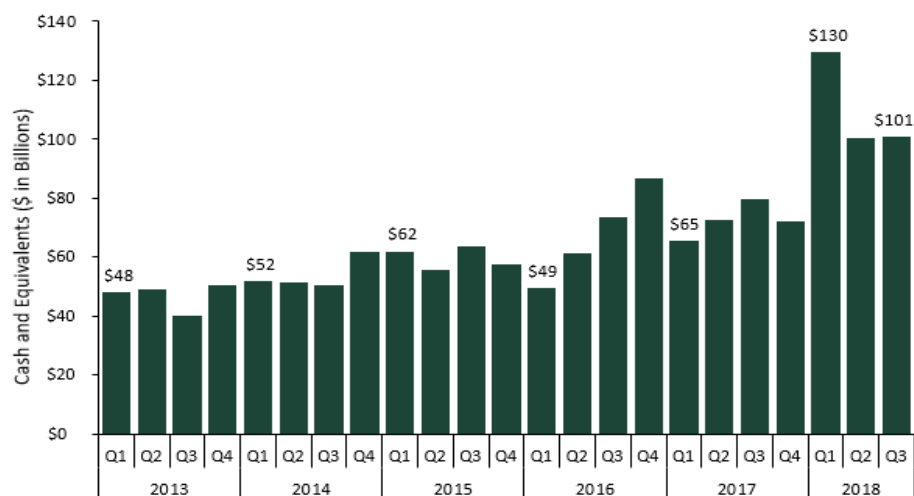
Private Equity Buyers

- Aggressive private equity buyers with significant amounts of cash looking for investment
- Robust lending environment enhances valuations
- Strong fundraising in 2017 and 2018 despite volatile markets

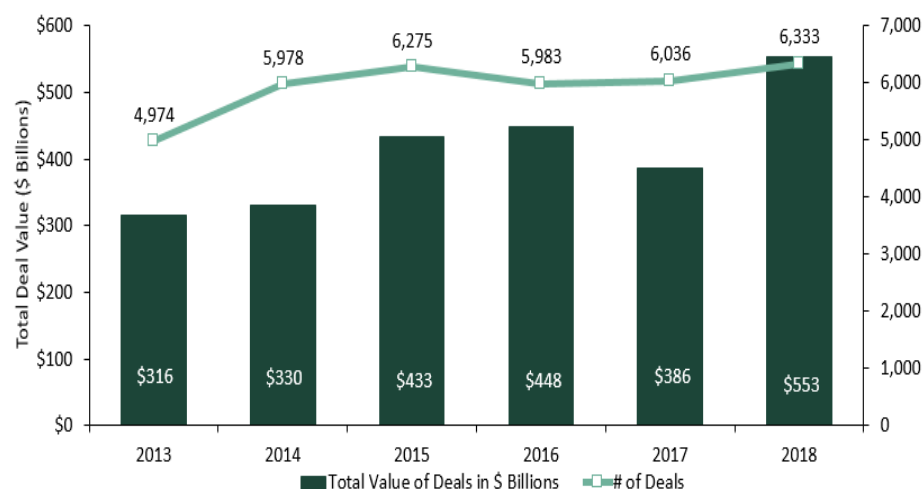
Current Strategic Buyer Activity Across All Sectors

- Corporate tax cuts incentivize multinationals to bring large amounts of cash to the United States from overseas
- Strategic buyers have significant levels of cash on hand and continue to be highly selective about deploying capital
- Nevertheless, 2018 saw some of the largest deals from strategic buyers, and multiples remain elevated
- Proven appetite for the right complementary acquisitions exists as strategic buyers seek to supplement organic growth

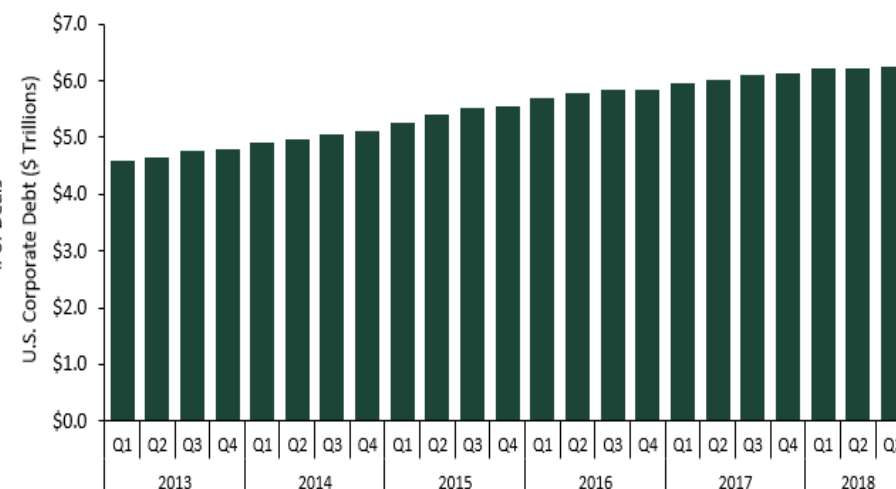
Investible Cash on U.S. Corporate Balance Sheets



Corporate M&A Activity



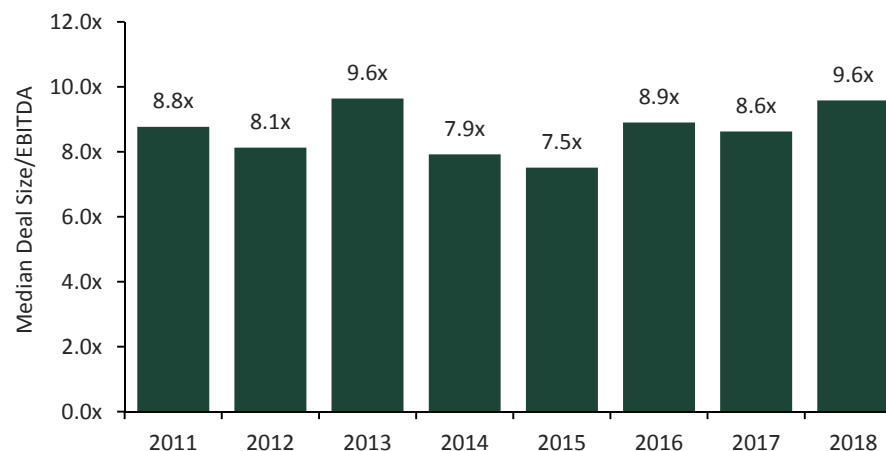
U.S. Corporate Debt (excluding financial institutions)



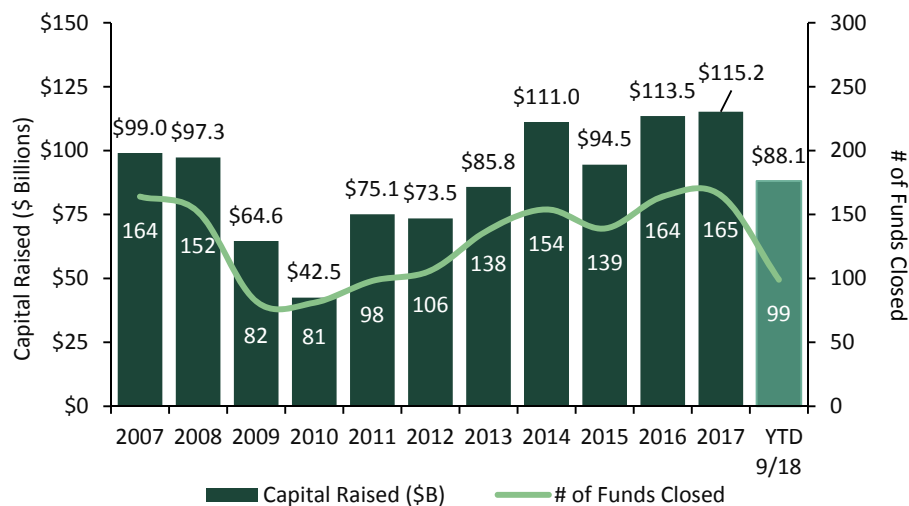
Current Financial Buyer Activity

- U.S. private equity buyers have significant amounts of cash at disposal, raising \$99 billion by Q3 2018
- Private equity buyers are paying robust multiples matching the 2013 peak
- 3,400+ deals were closed by private equity groups during in 2018, representing a total deal value of nearly \$420 billion, nearing a peak in 2014 - 2015
- Robust competition generated flexible transaction structures for both control and non-control deals

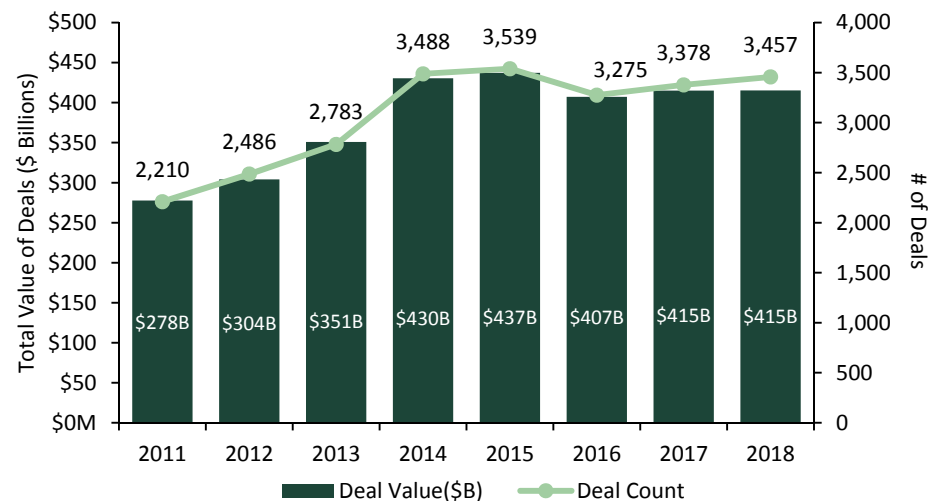
Private Equity Buyers – Middle Market Manufacturing⁽¹⁾



U.S. Private Equity Fundraising



Private Equity Activity

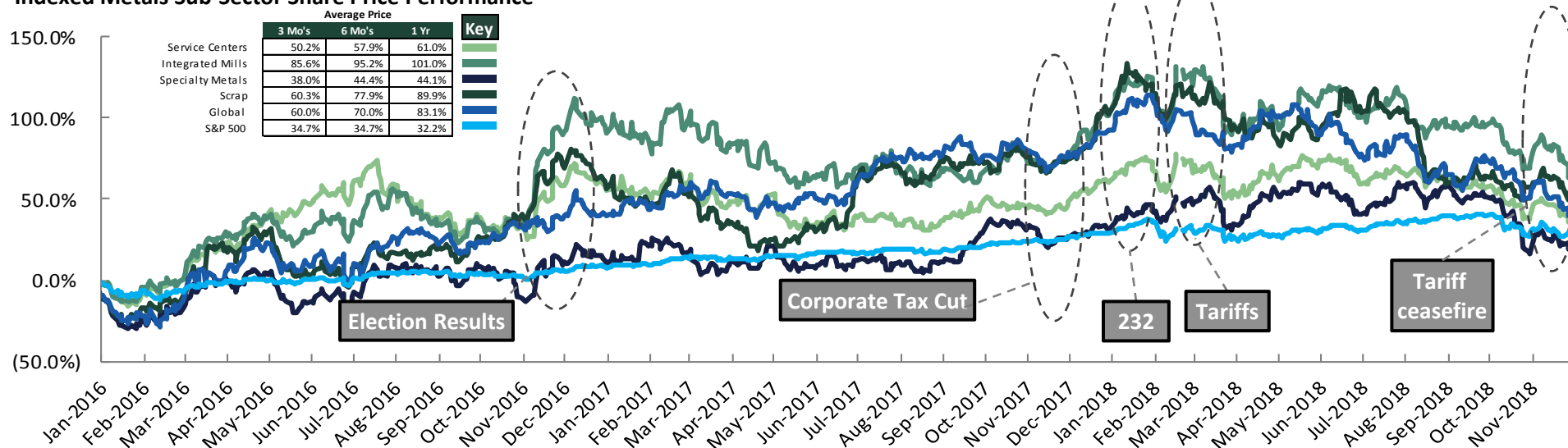




METAL STOCKS HAVE BEEN REACTIVE TO THE NEW ADMINISTRATION

- The markets reacted positively to the election results, U.S. – China trade hopes, and tax cuts
- Stocks received an initial uptick from the lowering of the corporate tax rate from 35% to 21%
- In early December, the US and China came to an agreement to suspend new tariffs and to leave existing tariffs at current rates initially, the market reacted positively to the news

Indexed Metals Sub-Sector Share Price Performance

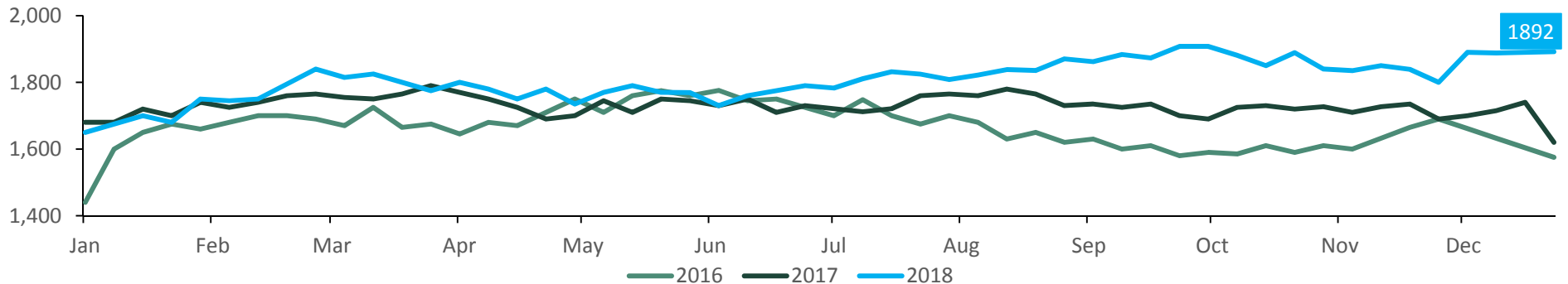


Source: S&P Capital IQ, American Metals Market, BAML, UBS, and Morningstar. Note: As of November 30th, 2018.

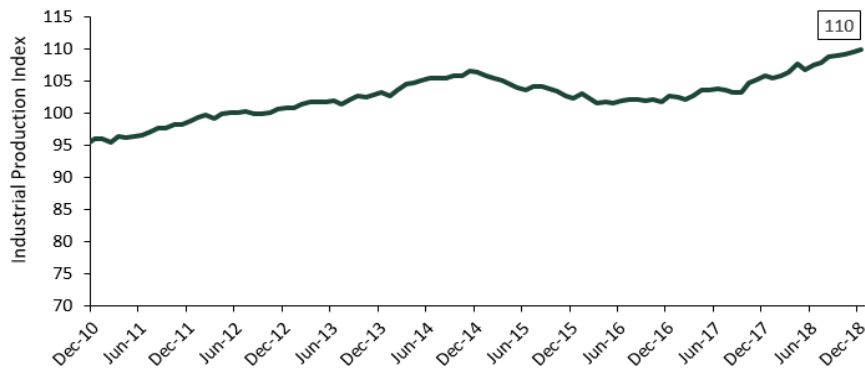
STEEL INDUSTRY TRENDS

- Domestic steel production continues to strengthen; increased utilization of U.S. mills and reduced imports
- Demand dynamics for steel remain robust with growing industrial production
- Recent steel tariffs are decreasing steel imports causing domestic mills to be restarted
- The 25% tariff on steel and 10% on aluminum has bolstered the economic case for using locally made metals
- Domestic scrap exporters, who have relied heavily on selling to Turkey, are selling more domestically because of favorable pricing and demand
- Steel mill utilization rate has increased as a response to tariffs to the highest point since mid-2008

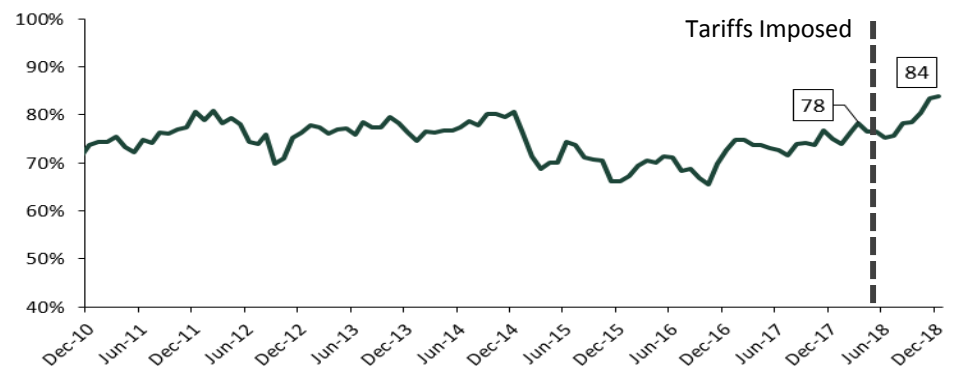
US Weekly Steel Production (Production in thousands of metric tons)



Monthly Industrial Production Index



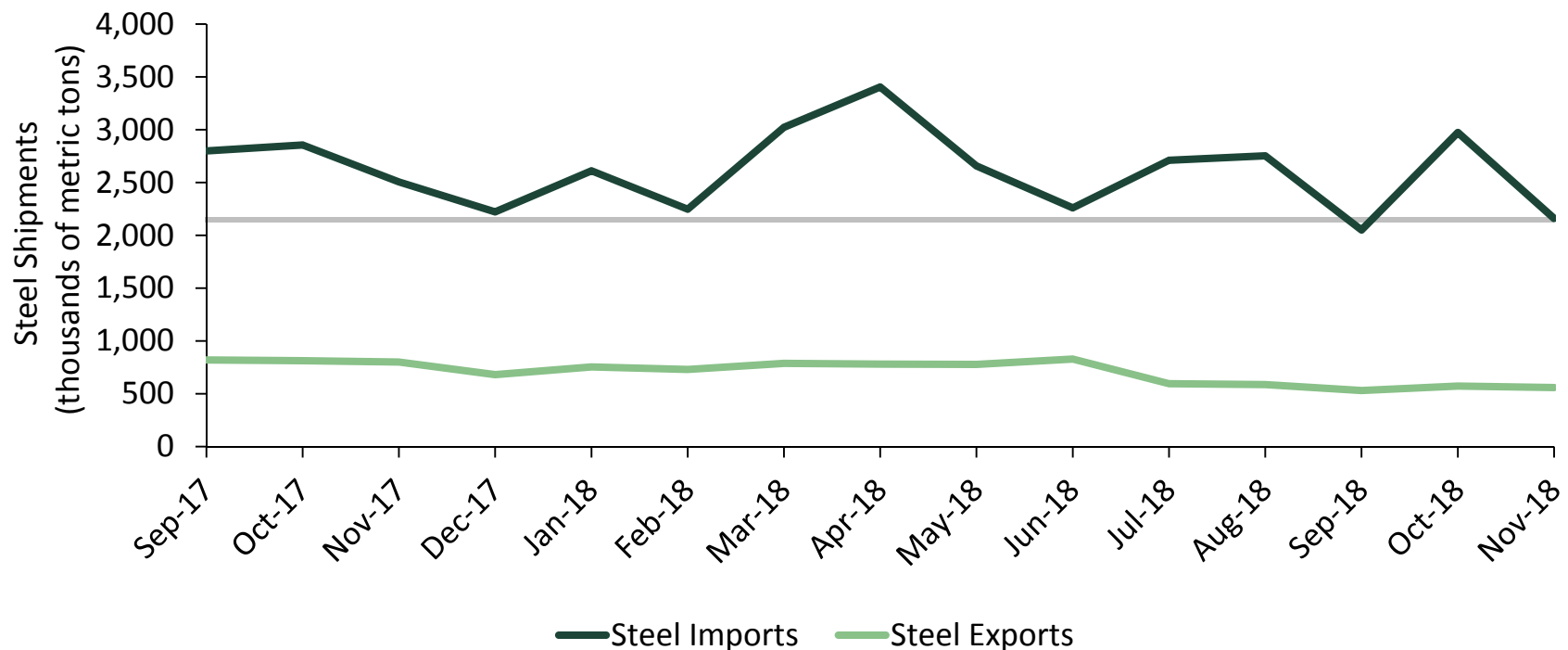
Steel Mill Utilization Rate



STEEL INDUSTRY – IMPORT / EXPORT DYNAMICS

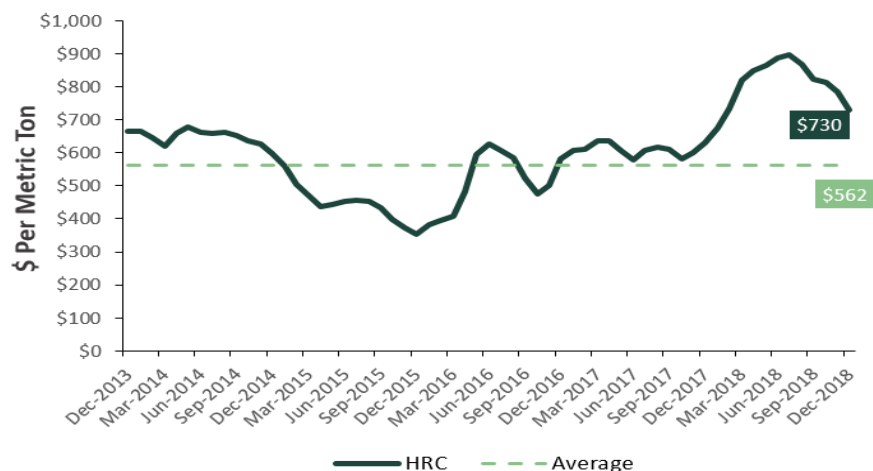
- Multiple trade remedies are in effect to balance the trade of carbon steel
- Steel imports are estimated to have shrank by 14% during 2018
- Domestic steel exports also decreased significantly during 2018 due to tariffs from other countries and a profitable domestic market
- A decrease in both steel imports and exports reflects the overall trend experience by U.S. markets
- In March 2018, the Department of Commerce determined several countries were dumping wire rod into U.S. markets

U.S. Steel Imports and Exports for All Mill Products (Shipments in millions of metric tons)

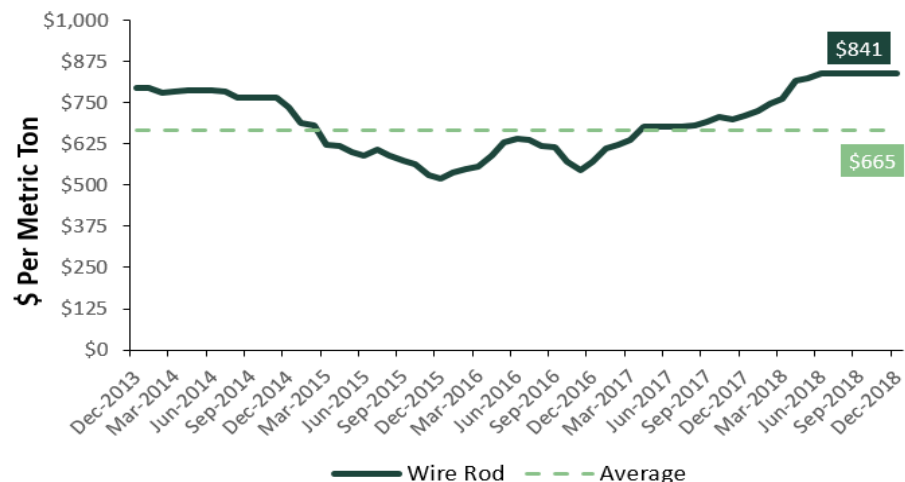


FERROUS AND NON-FERROUS PRICING UPDATE

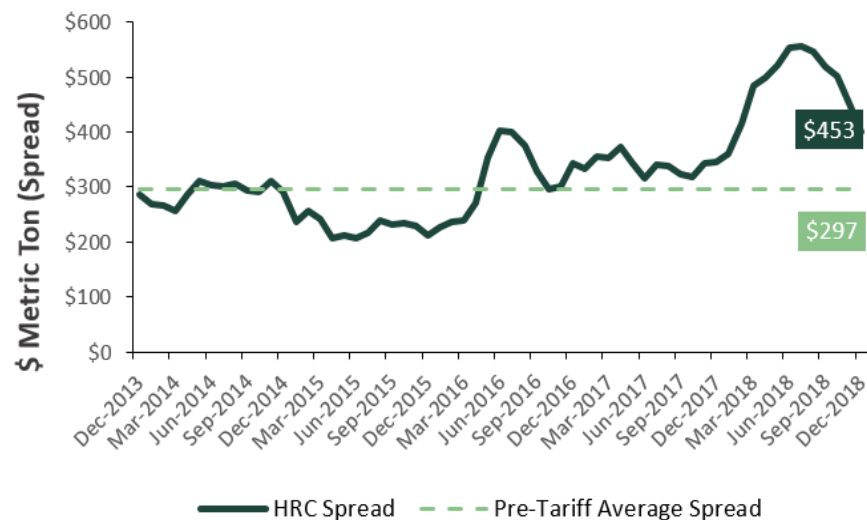
Steel - Hot-Rolled Coil



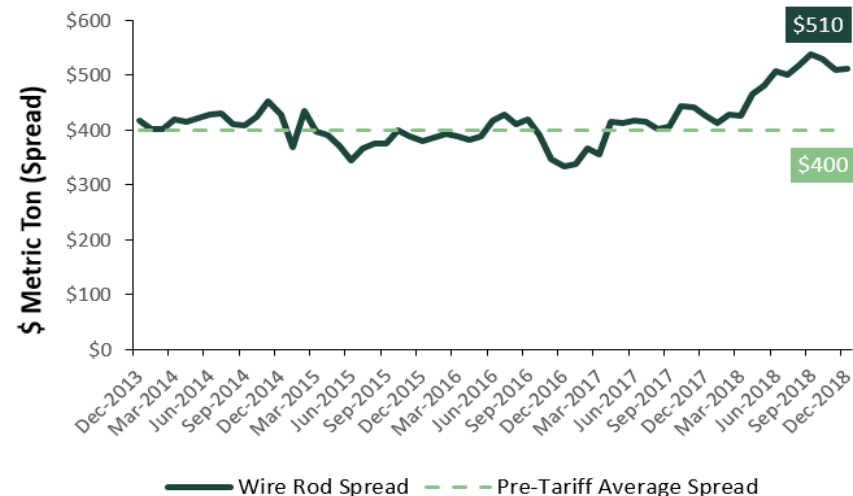
Wire Rod – Cold Heading Quality



Price Spread Between Hot-Rolled Coil and No. 1 Heavy Melt Scrap



Price Spread Between Wire Rod - CHQ and No. 1 Heavy Melt Scrap



EFFECTS TO THE SUPPLY CHAIN

STEEL TARIFFS

Sentiment	
Steel Producers	<ul style="list-style-type: none"> Steel producers are the big winners, stemming from two main, linked reasons: (1) reduced imports lead to higher utilization rates (2) increased domestic pricing of steel and demand For U.S. produced steel, prices are also likely to rise due to production capacity restraints in the near-term "This is a strong, important step to combat the effects of global steel overcapacity and address actions by other countries to circumvent U.S. trade laws and orders designed to ensure a level playing field" – Roger Newport – CEO, AK Steel "We look forward to the measures being in effect for a period of sufficient duration for companies to reinvest in the steel industry" – Philip Bell – President, Steel Manufacturers Association
Manufacturers & Fabricators	<ul style="list-style-type: none"> Manufacturers are at risk as they rely on steel as an input and are facing higher prices Some companies with established supply chains abroad have started to shift production outside of the U.S. to take advantage of lower costs "A few of our customers have moved some of their production back to Europe and Canada because of the increases in prices for raw materials... [the effect of tariffs on pricing and availability] has made the marketplace the most difficult place to operate in the 50 years I have been in the steel business" – Jerry Pines – Chairman, Millenia Products Group
U.S. Consumers	<ul style="list-style-type: none"> The effect of higher steel costs depends upon how much of the increased raw materials cost flows through to end consumers <ul style="list-style-type: none"> Competition in consumer markets means that some companies will be forced to absorb the cost increases "It's not going to be a big impact, long term...making the products here generates jobs, which give the consumer more salary to be able to pay a slightly higher price" – John Ferriola – Chairman, CEO, President of Nucor

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STATE OF THE METALS MANUFACTURING AND FABRICATION INDUSTRY

Positive Outlook but Challenging Operating Environment

- **Domestic investment continued to climb** through the third quarter of 2018
- **Tariffs on imports** of steel and aluminum provide more protection to the U.S. steel producers
- Price of steel expected to remain strong over the next five years, with **costs being passed down the supply chain to consumers**
- **Challenging operating environment** still persists:
 - **Market volatility** in commodity prices
 - **Currency relatively strong** U.S. dollar and rising interest rates

Fragmentation / Consolidation

- **Certain sectors remain fragmented** with restructuring and consolidation needed to eliminate overcapacity and regain negotiating leverage with mills
- **Movement towards consolidation to mitigate volatile operating environment** with larger players pressured to improve margins and expand product lines and geography
- Consolidation will create more stable supply/demand dynamics potentially reducing volatility in pricing

Valuation and M&A activity

- Lower corporate taxes will provide industry players with the capital to pursue acquisitions
- **Need for acquisition-driven growth** among public buyers keeping healthy company M&A multiples strong
- **Positive valuation trends** as global economies and end-markets continue to experience growth

Management Perspectives & Industry Outlook

“Our outlook assumes a modest sales increase based on the fundamentals of our diverse end markets as well as the macroeconomic and geopolitical environment. We will continue to focus on operational excellence, including cost discipline, while investing in expanded offerings and services to drive long-term profitable growth.”

Jim Umpleby – Jan 2019

Chairman and CEO
Caterpillar Inc.

“We faced headwinds in the quarter due to rising input costs and lower spreads in our Steel Processing business, but volumes for our key markets remained solid and our employees continue to work hard to make improvements.”

John McConnell – Dec 2018

Chairman and CEO
Worthington Industries

“This climate, and the Section 232 tariffs, have enabled key planned investments in the steel industry to move forward, create jobs and contribute to economic growth.”

Thomas J. Gibson – Feb 2019

President and CEO American Iron and Steel Institute

Source: American Metal Market, Steel Manufacturers Association, American Foundry Association, IBISWorld, PWC, RSM US LLP, Fabricators & Manufacturers Association International, Earnings Calls

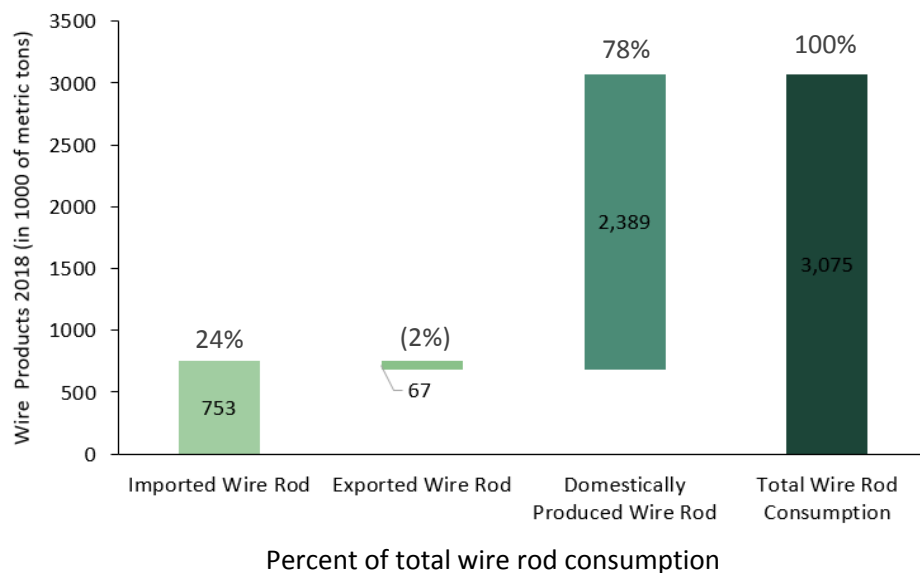


Wire Producers – Economic Drivers

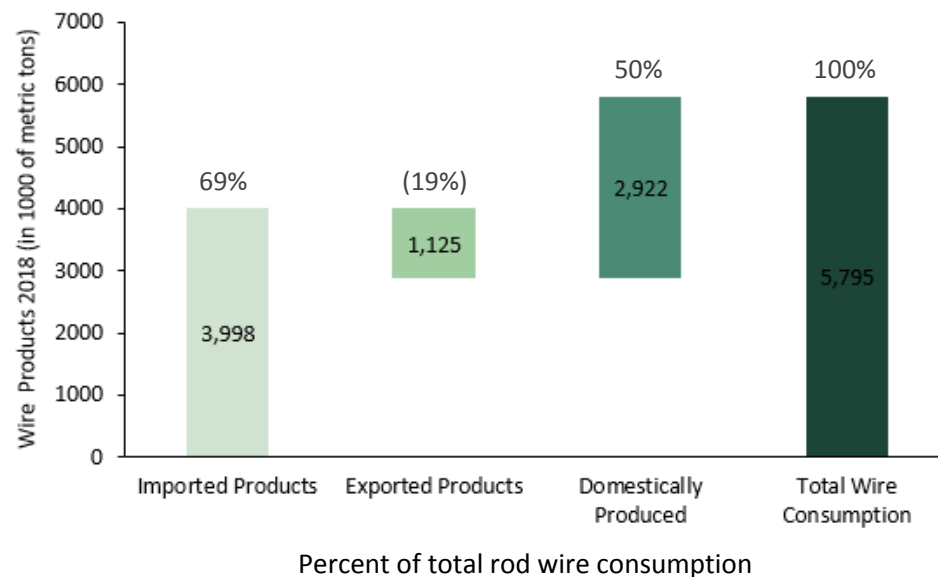
US SUPPLY & DEMAND DYNAMICS

- More than 50% of consumed wire products are imported into the United States
- Total wire consumption is expected to remain approximately the same through 2023
- Volatility in raw material costs make a difficult operating environment for wire producers
- Weak growth in demand could potentially start to drive prices down

Wire rod balance of trade (in 1,000 metric tons)



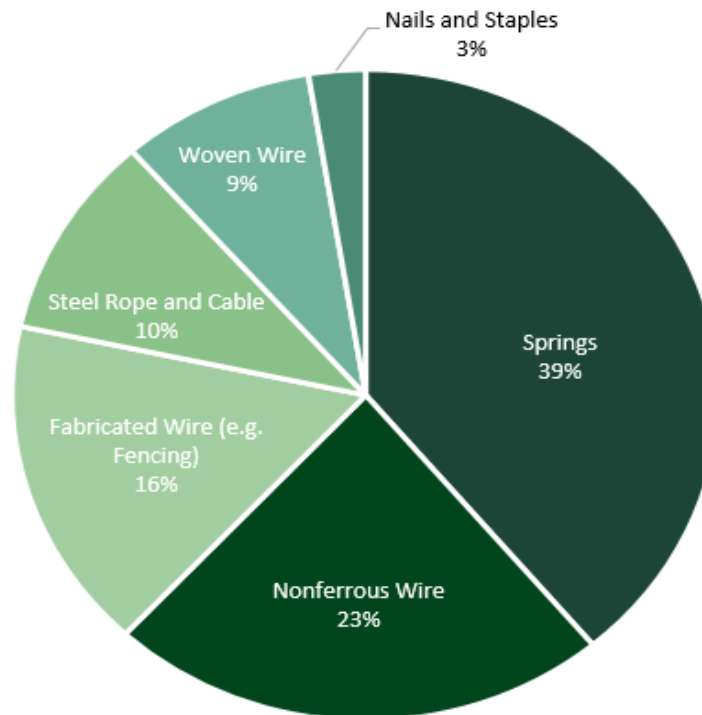
Wire products balance of trade (in 1,000 metric tons)



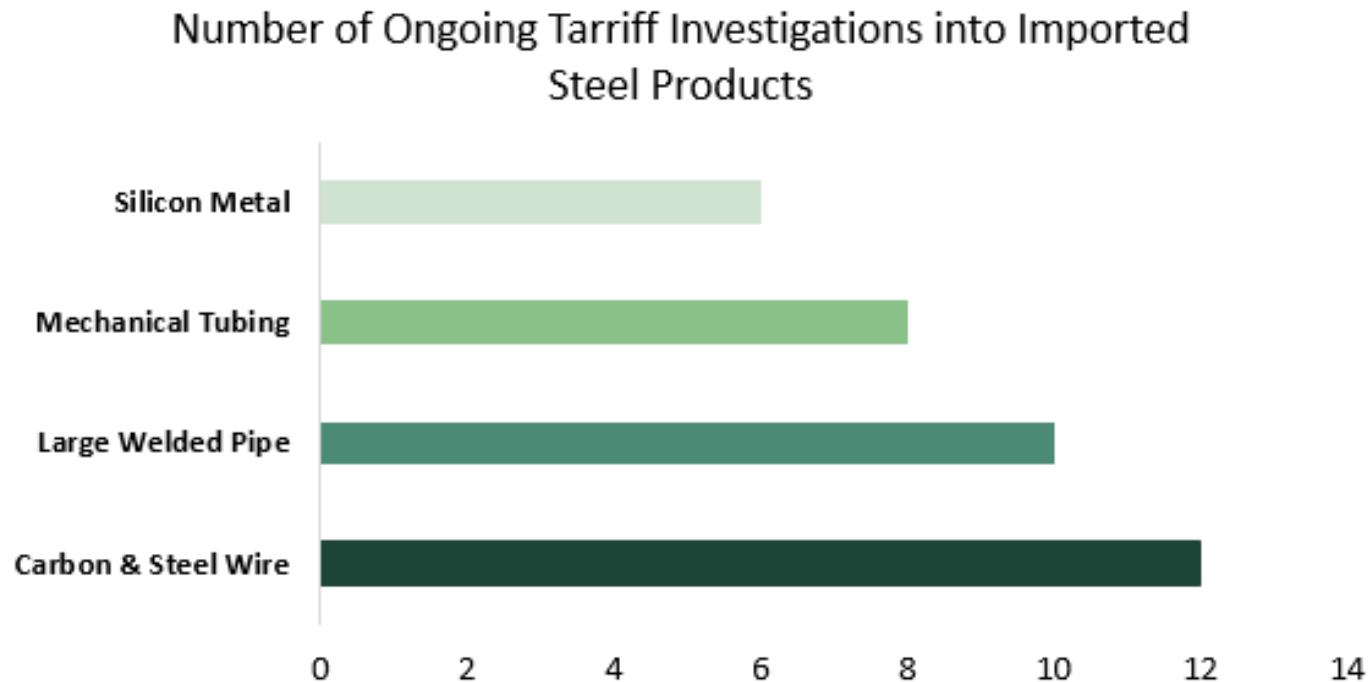
END MARKET TRENDS

- Almost 40% of wire products made in the United States are springs
- Research indicates a heavy reliance on the automotive and aerospace industries
- The remainder of the end uses indicates a strong ties to the construction market
- Up to 37% of the industry's revenue comes from the construction industry
- Agriculture and household furniture manufacturers are also major consumers of metal wire

Wire products as a percentage of total revenue



TARIFF FOCUS ON WIRE



- In early 2018, U.S. Department of Commerce found that Italy, Korea, Spain, Turkey, and the United Kingdom were dumping and subsidizing the importation of wire rod into the U.S.
- India and China were found to be subsidizing of the importation of Cold-Drawn Mechanical Tubing in late 2017
- An increasing number of unfair trade practices have been announced by the Department of Commerce. Many domestic industry petitioners are responsible for raising concerns over these practices.

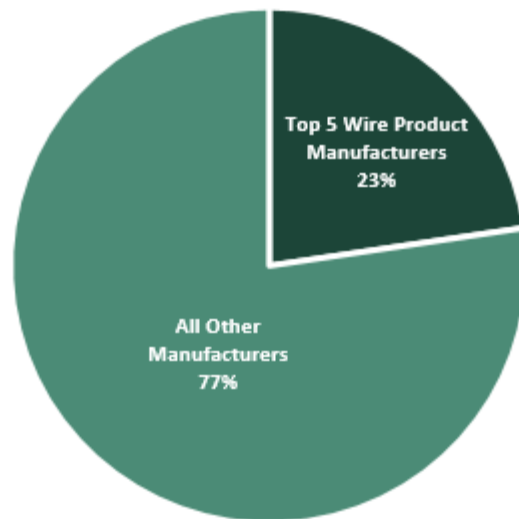


Wire Producers – M&A Trends and Growth Strategies

MARKET FRAGMENTATION

- Top Five Wire Producers Compose 23% of total domestic production
- The market space is heavily fragmented and highly competitive
- Most manufacturers represent <1% of total production and tend to be specialized at producing a specific product line
- A significant amount of consolidation has occurred over the last five years and the trend is expected to continue

Market Share of the Top 5 Wire Producers in the United States



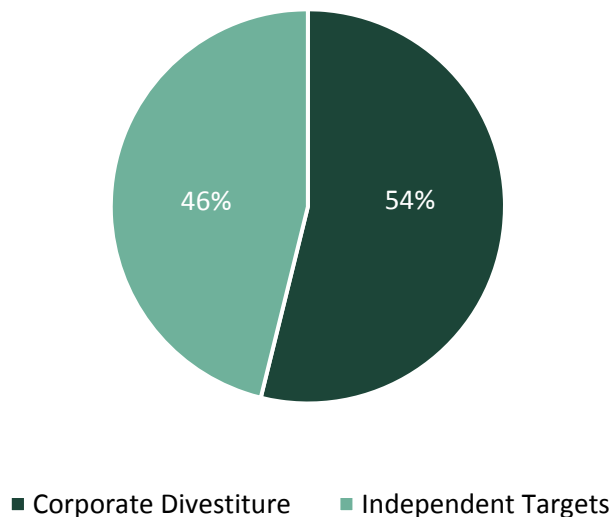
Top 5 Wire Producers in the United States

- Leggett & Platt Inc.
- Barnes Group
- Peterson Spring Company
- N.V. Bekaert S.A
- The Heico Companies

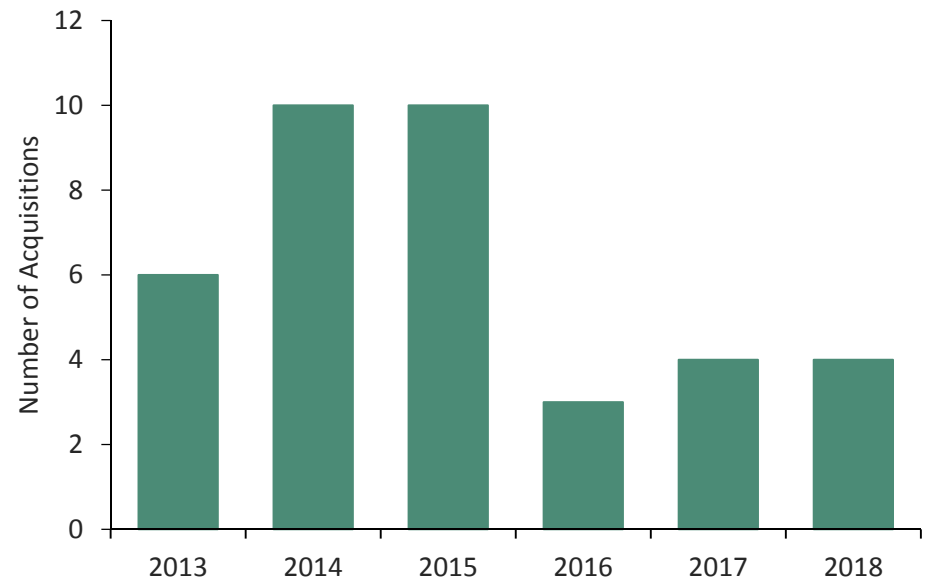
M&A TRENDS METAL WIRE INDUSTRY

- During 2014 and 2015, a large number of acquisitions occurred within the industry and top operators secured larger market shares
- Corporate divestitures of wire producing assets from metals manufacturing companies has accounted for a majority of transactions
- Backwards integration of end-product manufacturers securing steel wire supply sources has been an ongoing trend in the industry

Type of M&A Activity During the 2000's



Frequency of M&A in the Metal Wire Industry

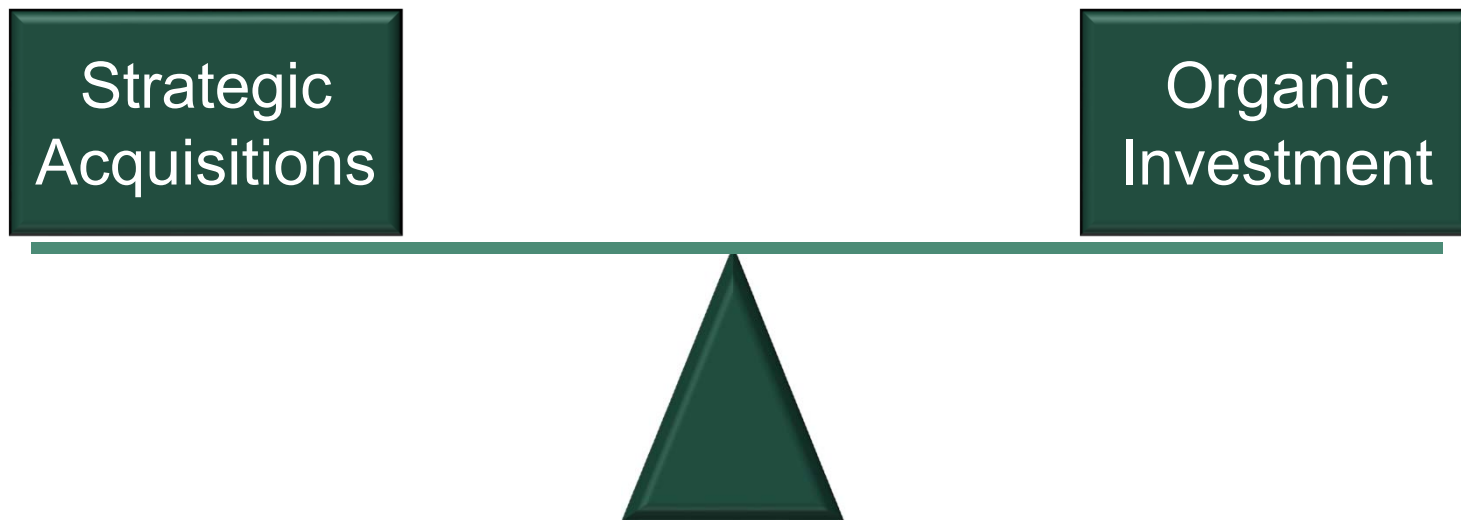


RECENT TRANSACTIONS

Announced Date	Target	Transaction Value (mm USD)	Buyer	Seller
Jul-09-2018	Solaronics SA	-	Argynnis Group AB	NV Bekaert SA
Jun-20-2018	SANDVIK Stainless Steel Wire	-	Zapp Group	SANDVIK Stainless Steel Wire
Apr-26-2018	Bridon-Bekaert Ropes Group	-	NV Bekaert SA	Bridon International Ltd.
Jan-03-2018	G&S Titanium, Inc. (nka:G&S Bar and Wire)	-	Fort Wayne Metals, Inc.	-
Nov-06-2017	Ortiz Engineered Products, Inc., Certain Assets	-	Insteel Industries, Inc.	Ortiz Engineered Products Inc.
Aug-03-2017	CVP Group, LLC (nka:Masterack, LLC)	-	J.B. Poindexter & Co., Inc.	Leggett & Platt, Incorporated
Jun-04-2017	Sumare (Brazil)	-	-	NV Bekaert SA
Apr-26-2017	NV Bekaert SA, Steel Cord Entity in Sumaré (nka:ArcelorMittal Bekaert)	\$63.0	BMB - Belgo Mineira Bekaert Artefatos de Arame Ltda.	NV Bekaert SA
Dec-15-2016	Folding Guard Corporation	\$28.0	Troax Inc.	Leggett & Platt, Incorporated
Aug-26-2016	Sanlo, Inc.	\$9.7	Central Wire, Inc.	Actuant Corporation
Jun-28-2016	Bridon Ropes Group	-	NV Bekaert SA	Bridon International Ltd.
Dec-07-2015	Bridon-Bekaert Ropes Group	-	Bridon International Ltd.	NV Bekaert SA
Dec-07-2015	Bekaert Wire Ropes Pty Ltd	-	NV Bekaert SA	Matco Cables SpA
Nov-10-2015	Irving Wire Products Co.	-	Tree Island Steel	-
Sep-30-2015	Bekaert Southern Wire Pte Ltd	\$5.7	NV Bekaert SA	-
Mar-10-2015	NV Bekaert SA	-	Kiltearn Partners LLP	NV Bekaert SA
Mar-04-2015	Geofabrics Australasia Pty. Ltd., Assets	-	Bekaert Maccaferri Underground Solutions BVBA	Geofabrics Australasia Pty Ltd
Feb-27-2015	A GW Commodity Holdings	-	Central Wire, Inc.	Hempel Special Metals
Feb-27-2015	Bekaert SA, Carding Solutions Activities	-	Groz-Beckert KG	NV Bekaert SA
Jan-06-2015	Bekaert Wire Ropes Pty Ltd	\$73.0	NV Bekaert SA, Matco Cables SpA	Arrium Limited
Oct-17-2014	Prodinsa SA	-	NV Bekaert SA	Prodinsa SA
Oct-17-2014	Procables Wire Ropes Chile	-	NV Bekaert SA	Procables Wire Ropes Chile
Sep-08-2014	Strand Core	-	Central Wire, Inc.	-
Aug-11-2014	American Spring Wire Corporation, Prestressed Concrete Strand Business	\$33.9	Insteel Wire Products Company	American Spring Wire Corporation
Jul-01-2014	Tempur Sealy, Three U.S. Innerspring Component Production Facilities	\$47.8	Leggett & Platt, Incorporated	Tempur Sealy International, Inc.
May-30-2014	TrefilARBED Korea Co.,Ltd.	-	KisWire Ltd.	ArcelorMittal Bissen & Bettembourg S.A.
Feb-28-2014	Pirelli & C. SpA, Steelcord Activities	\$352.1	NV Bekaert SA	PIRELLI & C. Società
Feb-12-2014	Alumi-Guard, Inc.	-	Barrette Outdoor Living, Inc.	-
Jan-14-2014	Bekaert Mukand Wire Industries Pvt. Ltd.	\$0.9	Bekaert Industries Pvt Ltd	Mukand Limited
Jan-10-2014	Procercos SA	-	NV Bekaert SA	Procercos SA
Jan-10-2015	Maccaferri Underground	-	NV Bekaert SA	Maccaferri
Dec-10-2013	Steel Wire Plant in Costa Rica (nka:BIA Alambres Costa Rica SA)	-	Bekaert Ideal Holding	ArcelorMittal
Dec-31-2013	GAW Chain Link Fence	-	Southwire Company, LLC	General Wire & Supply Co.
Dec-10-2013	Cimaf Cabos, S.A. (nka:Bekaert Cimaf Cabos)	-	Bekaert do Brasil Ltda.	Belgo Bekaert Arames Ltda.
Dec-03-2013	Bekaert SA, Advanced Filtration Business (nka:Purolator Advanced Filtration)	\$8.2	Purolator Advanced Filtration Group, Inc.	NV Bekaert SA
Apr-1-2013	HyTech	-	Tokusen USA	HyTech Spring and Wire
Apr-25-2013	Tatano Wire and Steel, Concrete Pipe and Box Culvert Reinforcement Equipment	-	Insteel Wire Products Company	Tatano Wire and Steel, Inc.

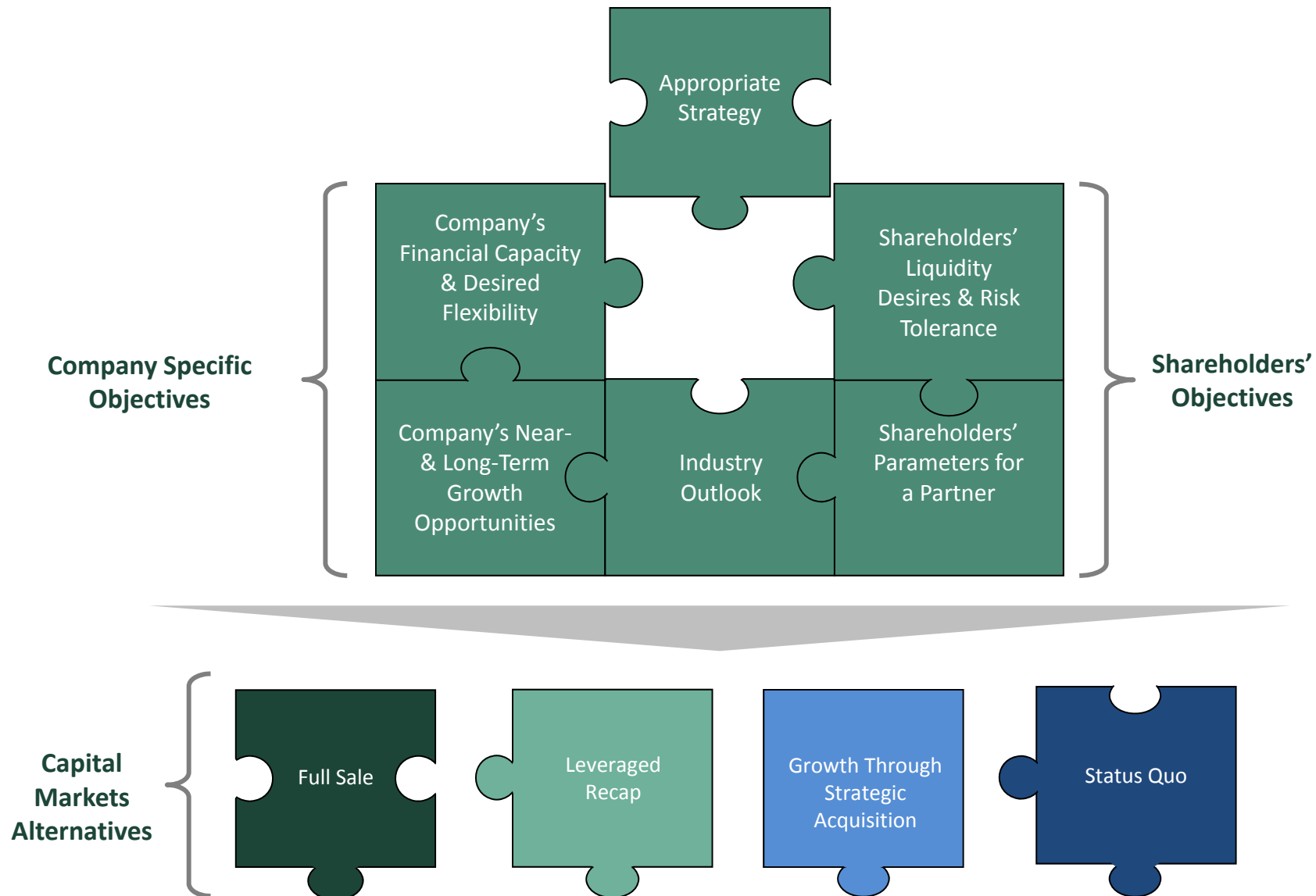
GROWTH STRATEGIES - BUY OR BUILD?

- Recent cuts in the corporate tax rate have lowered the after-tax hurdle rate for corporate investment projects
- However, strategic acquisitions may be incrementally more attractive due to potential changes
- Companies with lower utilization rates may struggle to justify additional growth capital investment





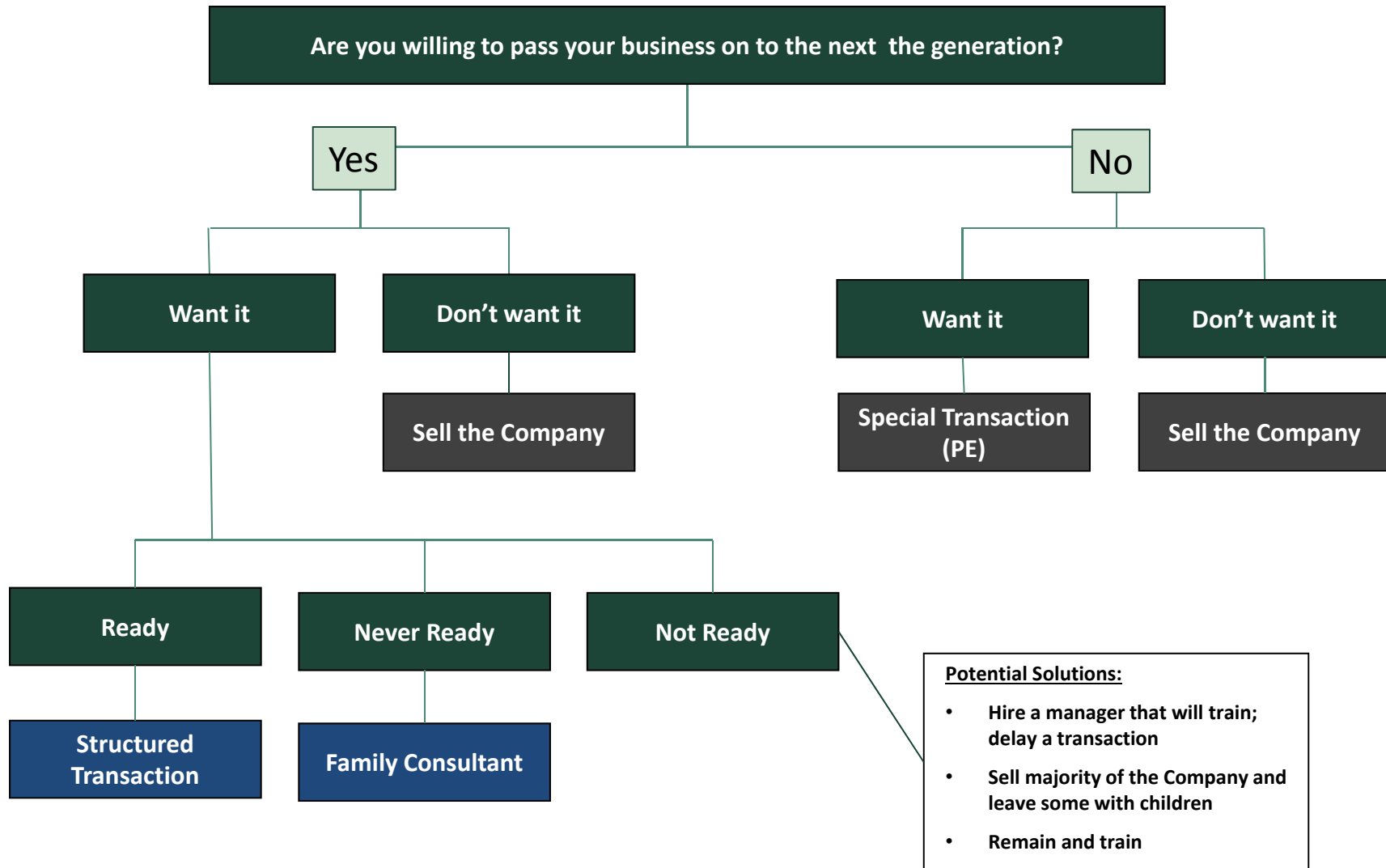
Shareholders' Opportunities and Goals Will Ultimately Shape Which Alternative is the Best Fit



Strategic Alternatives Overview

	Risk	Anticipated Transaction Timeline	Considerations
Full Sale	Moderate	6-7 Months	<ul style="list-style-type: none"> ▲ Maximize shareholder liquidity today ▲ Ability to achieve diversification goals ▼ Management continuity uncertain ▼ Potential for misalignment of shareholder objectives
Leveraged Recapitalization	High	4-5 Months	<ul style="list-style-type: none"> ▲ Allows shareholders to get a “second bite of the apple”; active liquidity today to diversify personal wealth ▲ Shareholders and management retain control ▲ Gain a capital partner to facilitate organic growth and/or strategic acquisitions ▼ Highly leveraged balance sheet ▼ Relies on future transition for full exit
Grow Organically and Complete Strategic Acquisition	High	1-2 Years	<ul style="list-style-type: none"> ▲ Enhances business and financial profile ▲ May improve attractiveness of asset upon ultimate exit ▼ No immediate liquidity ▼ Risk of integration challenges and target underperformance
Status Quo Organic Growth; No immediate Transaction	Moderate	Not Applicable	<ul style="list-style-type: none"> ▲ Ownership retains all upside ▲ Retains ability to transact in future ▼ No immediate liquidity ▼ Continued pressure to perform

OWNERSHIP TRANSITION – FAMILY CONSIDERATIONS



Valuation Approach and Considerations

Long-term preparation is essential to attaining healthy valuations at the time of sale. It is critical to understand the primary factors involved in a buyer's decision process in order to maximize value (See Appendix)

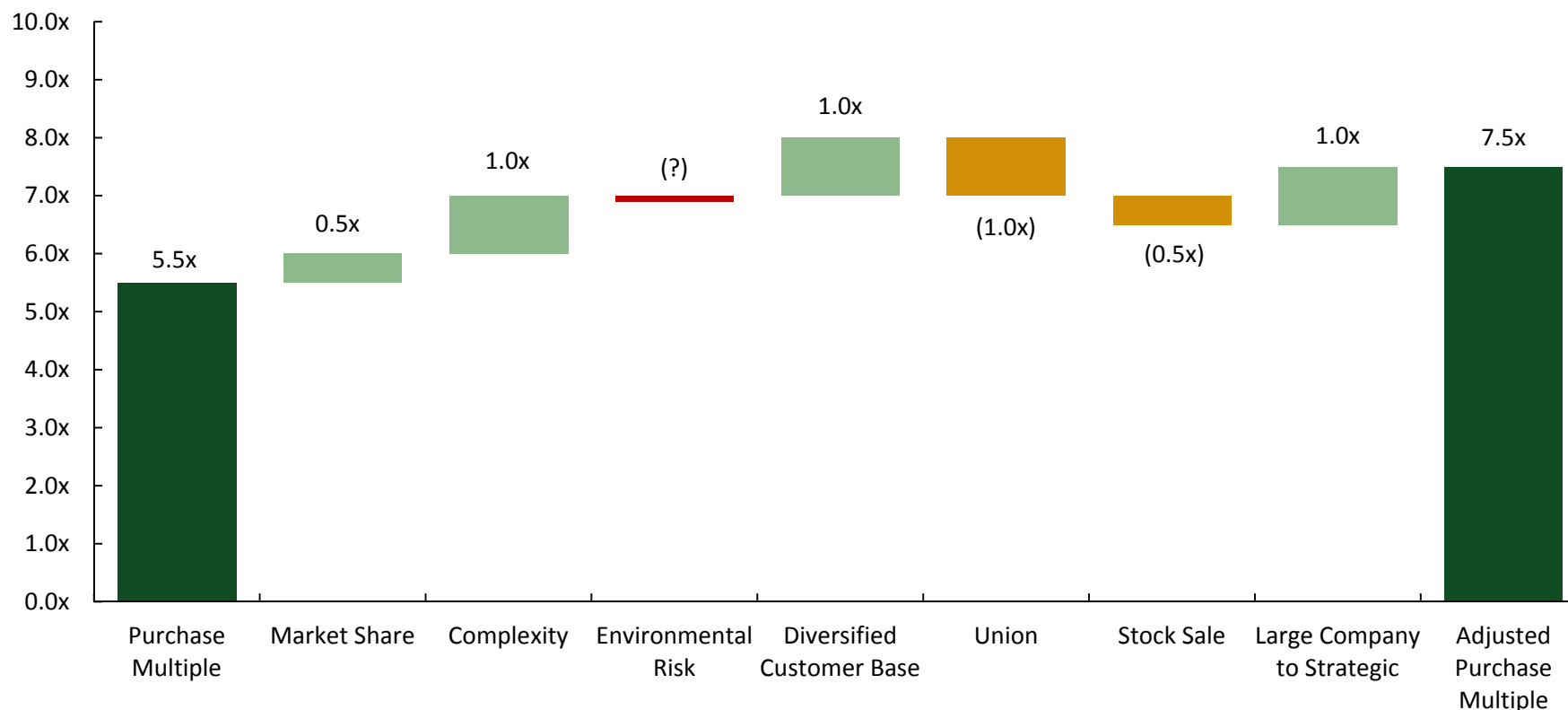
Key Considerations That Will Impact the Resulting Value of the Company

- Fabricating / processing capabilities
- Existence of long-term customer relationships / agreements
- Existence of long-term material supply relationships / agreements
- Strength and sustainability of margins
- Breadth and differentiation of product / service offerings
- Market position and reputation
- Quality of existing customer and supplier relationships
- Management capabilities
- Potential merger synergies and savings
- Access to key transportation methods (trucking, rail or waterways)

Normal Market Valuation Approach

- Preparing your company properly for a sale will enable you to maximize value from favorable characteristics
- There are several key aspects to your company that can enhance or detract from the valuation multiples
- In today's market, multiples for wire manufacturers are generally between 5.5x and 7.0x (special situations may receive higher valuations ~ 7.5x)

Value Enhancing Characteristics





Final Thoughts

- Tariff action in 2018 brought on significant changes to the steel wire industry, as this aspect of the metals industry became a focus for trade administrators
- Dislocation in steel pricing from the underlying scrap pricing is generating outsized margins for steel producers and margin squeeze for metals consumers downstream
- 2018 was a busy year in M&A, characterized by above average valuations, a large number of transactions, and active bidding processes
- Growth decisions for private companies involve multiple considerations depending on the company's and shareholders preferred outcome and approach



Contact Information



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BGL's Transaction Experience and Expertise

Nationally Recognized, Sector Driven Investment Bank

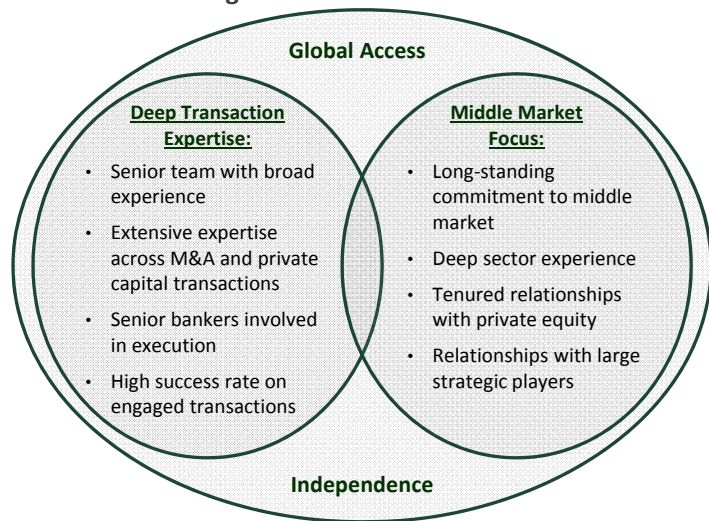
Independent | Middle Market Focused | Deep Industry Expertise | Global Access

- Independent advisory firm not tied to any larger institution, enabling us to provide sound advice without conflicts of interest
- Focused on the middle market
- Senior bankers with significant experience and tenure; partners average over 20 years of experience and 10 years with BGL
- Broad domestic reach
- Global reach with bankers in more than 35 countries
- Deep industry experience across several core sectors

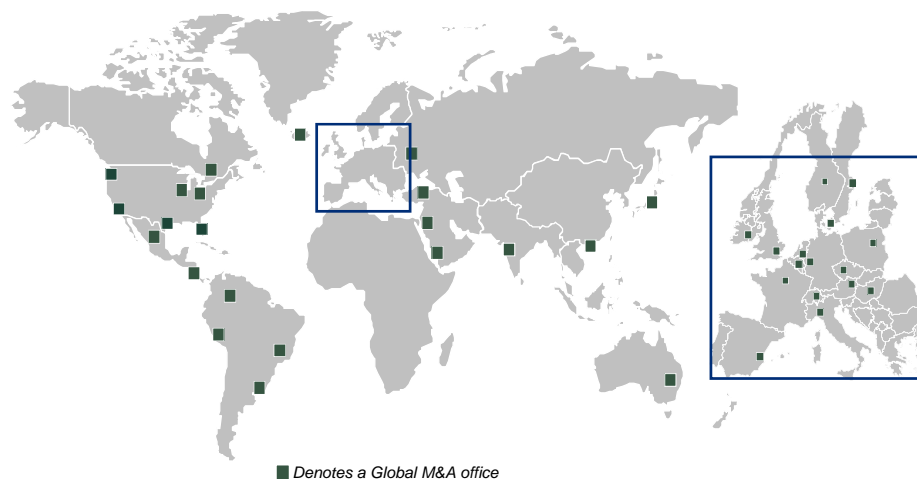
Core Capabilities

M&A Advisory	Financial Restructuring	Private Placements	Research
Sell-Side Advisory Acquisitions & Divestitures Public & Private Mergers Special Committee Advice Strategic Partnership & Joint Venture Formation Fairness Opinions & Fair Value Opinions General Financial & Strategic Advice	Balance Sheet Restructurings Sales of Non-Core Assets or Businesses \$363 Auctions	All Tranches of Debt & Equity Capital for: Growth Acquisitions Recapitalizations Dividends	Primary Research Industry Benchmarking Operating Advisor Network White Papers Industry Surveys

Market Positioning



Global Reach



DEEP EXPERIENCE ACROSS INDUSTRY VERTICALS



Metals & Metals Processing



Group Head:
Vince Pappalardo

- Ferrous and non-ferrous scrap processing
- Secondary Smelting
- Specialty Metals
- Iron & Steel Foundries
- Precision Processing & Fabrication
- Pipe & Tube Manufacturers
- Distribution & Service Centers
- Integrated Mills
- Precious Metals
- Forging & Stamping
- Casting, Forging and Machining

Representative Sector Transactions



Industrials



Group Head:
Andrew Petryk

- Construction & Building Products
- Capital Equipment
- Precision Manufacturing
- Fabrication Services
- Components & Systems
- Niche Manufacturing
- Industrial Automation & Controls
- Automotive Component Manufacturing
- Plastics & Packaging
- Rubber Compounding & Processing
- Industrial Distribution
- Test & Measurement
- Specialty Chemicals

Representative Sector Transactions



Environmental & Industrial Services



Group Head:
Effram Kaplan

- Solid Waste
- Environmental and Industrial Services
 - Vacuum Cleaning
 - Hydroblast Cleaning
 - Emergency Response
 - Hydroexcavation
- Waste-to-Energy
- Environmental Engineering and Consulting
- Remediation & Reclamation
- E-Waste & Metals Recycling
- Renewables
- Energy Services

Representative Sector Transactions



Consumer Products & Retail



Group Head:
John Tilson

- In-Home Products
- Health & Wellness
- Outdoor & Recreational Products
- Apparel
- Specialty Retail
- Luxury & Fashion
- Direct Selling / Multi-Level Marketing
- Consumer Retail Services
- Personal Care
- Infant/Children Products
- Housewares & Kitchen Products

Representative Sector Transactions



Healthcare & Life Sciences



Group Head:
John Riddle

- Medical Products & Equipment
- Biopharmaceuticals
- Diagnostics
- Healthcare IT
- Managed Care
- Medical Devices
- Healthcare Providers
- Research Tools & Services

Representative Sector Transactions



Real Estate



Group Head:
Anthony Delfre

- Real Estate
 - Capital Markets
 - Asset Management
- Investment Sales/Brokerage
 - Healthcare
 - Industrial
 - Multi Family

Representative Sector Transactions



Breadth of Metals Transaction Experience

 — acquired by —  	 — acquired by —  	 — and its affiliate —  — acquired by —  	 — acquired by —  	 Corporate Divestiture from  — acquired by — AluminumSource LLC 	 — acquired by —  The David J. Joseph Company a wholly owned subsidiary of  	 — acquired by —  
 — acquired by —  	 — acquired by —  	 — acquired by —  	 — acquired by —  	 — acquired by —  	 — acquired by — Northern Refuge 	Cohen & Green Salvage Company, Inc., Lumberton Recycling Company, Inc., & RaeFord Salvage Company, Inc. — acquired by —  OmniSource The Best in Metals Recycling 
The Recycling Operations of  — acquired by —  	The Melting Operations of  — acquired by —  	 — acquired by —  — a portfolio company of — TRICOR PACIFIC CAPITAL 	 — acquired by —  	 — acquired by —  	 — acquired by —  in a 363 Sale 	 — acquired by — SPG Partners, LLC and Members of Management 
 Ferguson Metals, Inc. — acquired by —  	 — acquired by —  Watermill Group 	 — acquired by —  	 — acquired by —  Exclusive Sale CCAA Sale 	 — acquired by —  — a portfolio company of —  	 — acquired by —  	 — acquired by — Strategic Acquirer 











*Transactions completed as member of prior firm.

Breadth of Metals Transaction Experience (Cont'd)

 — acquired by —  Sell-Side Advisory Foreclosure Sale 	 — acquired by — RYERSON	 — acquired by — J.H. Roberts Industries Buy-Side Advisory	 — acquired by — 	 — acquired by — KADANT <small>AN ACCENT ON INNOVATION</small>	Distressed Buy-Side Advisory  — acquired by — KLN Engineering	  — acquired by — 
 — acquired by — 	 — a portfolio company of —  — acquired by —  	 — Recapitalized by — The Dorman Group of Companies and MERIT CAPITAL PARTNERS 	 — acquired by —  	 — acquired by — Lynch Investment Company	 — acquired by —  	 — acquired by — 
 — acquired by — Symax LLC	 — acquired by — 	 — acquired by —  <small>ONE STEP AHEAD.</small>	 — acquired by —  	 — acquired by —  — a portfolio company of — Platinum Equity	 — acquired by —  	 — acquired by —  
 — acquired by — 	 — acquired by —  	 — acquired by —  	 — acquired by — 	 — acquired by — 	 — acquired by — 	 — acquired by — 

*Transactions completed as member of prior firm.

Breadth of Metals Transaction Experience (Cont'd)

 WESTERN PNEUMATIC TUBE COMPANY — acquired by — TINICUM  BROWN GIBBONS LANG & COMPANY	 Strategic Advisory	 Strategic Advisory	 Sell-Side Advisory  BROWN GIBBONS LANG & COMPANY	 Fairness Opinion  EVRAZ GROUP  BROWN GIBBONS LANG & COMPANY	 Debtor Side Financial Advisory  BROWN GIBBONS LANG & COMPANY	 Financial Restructuring Advisory - CCAA Sale
 Financial Restructuring Advisory	 Strategic Advisory  BROWN GIBBONS LANG & COMPANY	 Financial Restructuring Advisory	 Debtor Side Financial Restructuring Advisory  BROWN GIBBONS LANG & COMPANY	 Recapitalization Senior Secured Credit Facility Senior Secured Term Loan Senior Subordinated Notes	 Buy-Side Advisory	 Strategic Advisory
 The Timken Company and TimkenSteel Corporation Solvency Opinion Related to the Spin-off of TIMKENSTEEL	 Strategic Advisory	 Strategic Advisory	 Strategic Advisory			

*Transactions completed as member of prior firm.



Transaction Preparation Overview

Preparation

- Long-term preparation is essential to attaining healthy valuations at the time of sale. It is critical to understand the primary factors involved in a buyer's decision process in order to maximize value
- Potential buyers must feel that the company has ample growth opportunities still available and has a defensible market position. Buyers must have confidence in the financial statements, management ethics / corporate culture, and internal controls of the company
- The following areas are of key importance in preparing a company for a potential transaction, as well as for buyers considering pursuing a transaction:
 - Strategy & Execution;
 - Income Statement;
 - Balance Sheet;
 - Capital Expenditures; and
 - Projection details/backlog
- Additionally, buyers and sellers should familiarize themselves with valuation methodologies and what aspects enhance or detract from value

Company Strategy and Execution

- Goal: A buyer must recognize that the company has a logical, executable strategy that leads to visible future growth opportunities OR fulfills an existing geographic need
- Tactics:
 - Business strategy should include future growth opportunities that a buyer can execute, with reasonable probability for success
 - Key employee issues should be reduced (can ownership leave after a transaction)
 - Proven history of successful decision-making supported by past growth and profitability
 - Make certain the management team has the necessary resources to execute strategy
 - Highlight the ability of the team to run the company without selling shareholder oversight
 - Align the company's strategy with the high growth opportunities in the market
 - Consider potential acquisition options as a growth driver to make asset attractive as a platform
 - Different strategy for new private owner vs. large corporate buyer

- *Buyer Questions:*
 - Does the Company have a clear strategy?
 - Are key selling stakeholders prepared and aligned?
 - How does this asset fit with my strategy?
 - How do I reduce risk of transaction failure?

Income Statement

- Goal: To prove out the predictability in revenue and earnings to potential buyers
- Revenue:
 - Increase predictability of revenue and recurring revenue streams
 - Integral part of your customers' business
 - Long-term agreements/relationships
 - Prove profitability under changing market conditions
 - Reduce revenue and/or supply concentration if needed
 - Explain source(s) of revenue/cost with as much detail as possible
- Focus company efforts on opportunities that generate revenue from stable resources

(\$ in millions)	Year Ending December 31,											5 Year CAGR	
Income Statement Summary	2013A	2014A	2015A	2016A	2017A	2018E	2019P	2020P	2021P	2022P	2023P	2013-2017	2018-2023
Revenue	\$ 45.0	\$ 60.0	\$ 60.0	\$ 54.0	\$ 58.0	\$ 61.2	\$ 65.5	\$ 68.1	\$ 70.8	\$ 72.9	\$ 74.4	6.3%	4.0%
Growth %	-	33.3%	0.0%	(10.0%)	7.4%	5.5%	7.0%	4.0%	4.0%	3.0%	2.0%		
Gross Profit	\$ 18.0	\$ 25.0	\$ 25.0	\$ 21.0	\$ 24.0	\$ 25.1	\$ 26.5	\$ 27.6	\$ 28.7	\$ 29.6	\$ 30.1	6.9%	3.7%
Gross Profit %	40.0%	41.7%	41.7%	38.9%	41.4%	41.0%	40.5%	40.5%	40.5%	40.5%	40.5%		
Adjusted EBITDA	\$ 6.0	\$ 10.0	\$ 10.0	\$ 8.0	\$ 11.0	\$ 11.6	\$ 12.0	\$ 12.5	\$ 12.9	\$ 13.7	\$ 13.9	14.1%	3.7%
Adjusted EBITDA %	13.3%	16.7%	16.7%	14.8%	19.0%	19.0%	18.3%	18.3%	18.2%	18.7%	18.7%		
Adjusted EBIT	\$ 5.4	\$ 9.3	\$ 9.3	\$ 7.0	\$ 10.0	\$ 10.8	\$ 11.2	\$ 11.7	\$ 12.1	\$ 12.9	\$ 13.1	14.9%	3.9%
Adjusted EBIT %	12.0%	15.5%	15.5%	13.0%	17.2%	17.6%	17.1%	17.1%	17.1%	17.6%	17.6%		

- **Buyer Questions:**
 - How much visibility into the forecast?
 - Are customer relationships protected by long-term contracts?
 - How diverse are the revenue streams?
 - Is the business selling into growing markets?

Income Statement (Cont'd)

- Cost Structure:
 - Demonstrate existing facilities can accommodate the projected growth
 - Reductions in cost structure should be made as soon as possible
 - Reduction in workforce
 - Reset expenses that are in excess of market
 - Realized results via proven cost reductions vs. pro forma adjustments
 - Pro forma improvements should be seen in run rate
 - Prove profitability under changing market conditions
 - Reduce revenue and/or supply concentrations if needed
- Profitability:
 - Identify and quantify (if possible) what the profit drivers are for the company
 - Customer relationships
 - Superior market knowledge/reputation (sustainability after a sale, who has the knowledge)
 - Unique capabilities

- *Buyer Questions:*
 - Is existing management capable of executing plan for improved profitability?
 - Is the pro forma cost structure appropriate?
 - Is there any “low hanging fruit” available to capitalize on?
 - Do customer relationships and management know-how survive the transition?

Balance Sheet

- Goal: Obtain the most cash for current shareholders and minimize adjustments based on working capital
 - Reduce days sales outstanding
 - Be careful not to jeopardize customer relationships in the process
 - Take appropriate Accounts Receivable write-offs as far ahead as possible
 - Explore alternatives to extend days payable
 - Use GAAP standard accrual policies and book transactions appropriately
 - Write-down obsolete inventory/liquidate

(\$ in millions)	Year Ending December 31,										
Balance Sheet	2013A	2014A	2015A	2016A	2017A	2018E	2019P	2020P	2021P	2022P	2023P
Accounts Receivable	1.0	1.0	3.0	3.0	4.8	5.1	5.3	5.6	5.8	5.9	6.1
Inventory	2.0	3.0	3.0	5.0	5.0	5.0	5.4	5.6	5.8	6.0	6.2
Prepaid Expenses	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Total Current Assets	3.2	4.2	6.2	8.2	10.0	10.3	11.0	11.5	11.9	12.2	12.6
PPE, Net	3.0	3.0	3.0	4.0	4.0	3.9	3.8	3.7	3.6	3.5	3.4
Other Non-current Assets	-	-	-	-	-	0.2	0.3	0.3	0.3	0.3	0.3
Total Assets	\$ 6.2	\$ 7.2	\$ 9.2	\$ 12.2	\$ 14.0	\$ 14.5	\$ 15.1	\$ 15.5	\$ 15.8	\$ 16.0	\$ 16.3
Accounts Payable	\$ 1.0	\$ 1.0	\$ 2.0	\$ 2.0	\$ 4.0	\$ 3.0	\$ 3.2	\$ 3.4	\$ 3.5	\$ 3.6	\$ 3.7
Other Current Liabilities	1.0	1.0	1.0	1.0	1.0	1.5	1.6	1.7	1.7	1.8	1.8
Total Current Liabilities	2.0	2.0	3.0	3.0	5.0	4.5	4.8	5.1	5.2	5.4	5.5
Bank Debt	3.0	3.0	3.0	3.0	3.0	-	-	-	-	-	-
Total Debt	3.0	3.0	3.0	3.0	3.0	-	-	-	-	-	-
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 5.0	\$ 5.0	\$ 6.0	\$ 6.0	\$ 8.0	\$ 4.5	\$ 4.8	\$ 5.1	\$ 5.2	\$ 5.4	\$ 5.5

- *Buyer Questions:*
 - What is appropriate level of working capital to operate the business?
 - Is the seller extending payables?
 - What is the current state of the inventory?

Balance Sheet (Cont'd)

- Fixed Assets:
 - Make sure that projects involving significant capital investment will achieve results prior to beginning a sale process
 - Make certain that major capital expenditures will be seen as attractive to buyers and that they understand that such initial capital outlays will result in increased valuation
 - Sell unproductive equipment
 - Complete any construction in progress
 - Write-down the value of depreciated investments as early as possible
- Other Liabilities:
 - Restructure any Post Retirement Benefits (“PRB”) and Other Post Employment Benefits (“OPEBs”) to more appropriately match current market conditions
 - Environmental – knowledge and exposure post-sale of selling shareholder

- *Buyer Questions:*
 - Are facilities / equipment updated?
 - Has the seller deferred any necessary capital expenditures?
 - Has the seller accelerated depreciation?
 - Are there any other liabilities (pension, healthcare, legal, environmental) that we should be aware of?

Financial Projections

- Goal: Project a logical picture of future growth in earnings
 - Aggressive, but
 - Realistic
- Clearly build forecasts based on future business generated by potential new business from existing customers, and potential new business from new customers
 - Growth should be in line with current and future planned business model and (ideally) existing management capabilities
 - Growth should be supported by market growth rates and pricing expectations
 - Utilize external data sources for demand estimates
- Improvements in cost structure will be discounted if not built up with details
- Show the ability to grow the company without significant capital expenditures

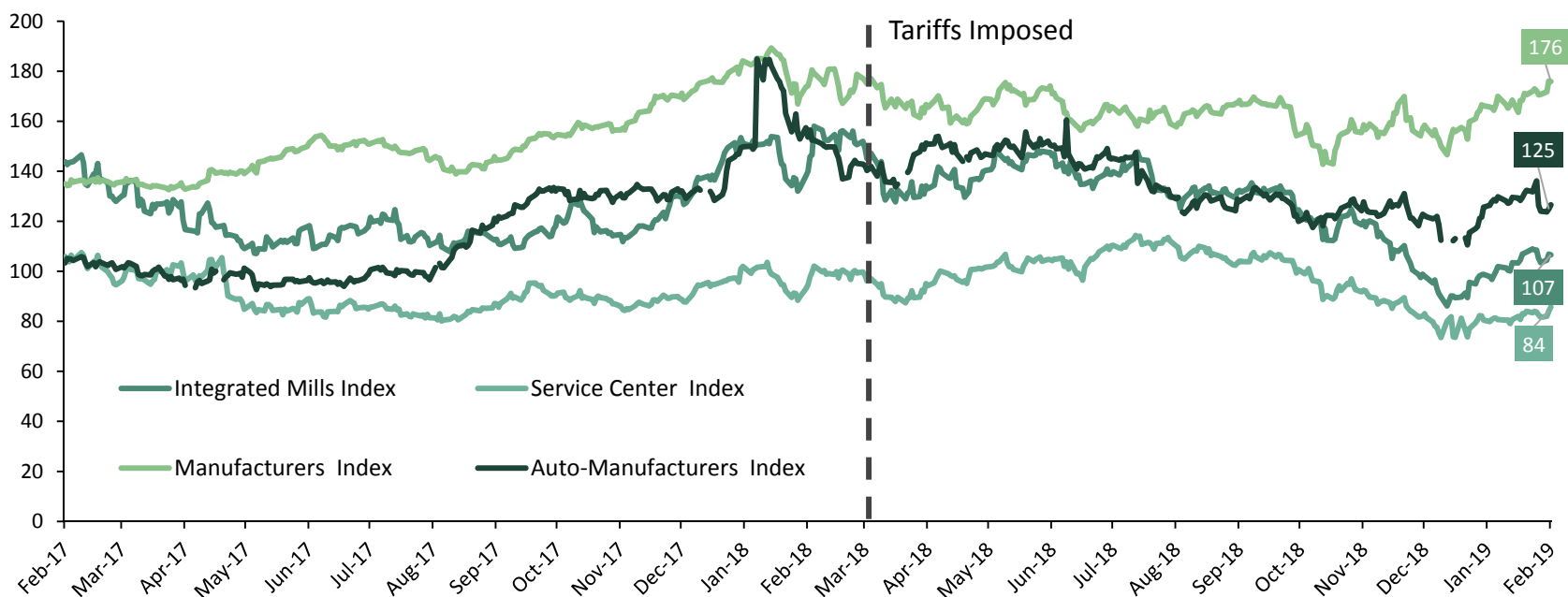
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Adjusted EBIT %	12.0%	15.5%	15.5%	13.0%	17.2%	17.6%	17.1%	17.1%	17.1%	17.6%	17.6%		

- Buyer Questions
 - Is the forecast realistic?
 - Is management capable of executing the plan?
 - How much incremental capital will be required to execute the plan?
 - What are the key risks to achieving the plan?



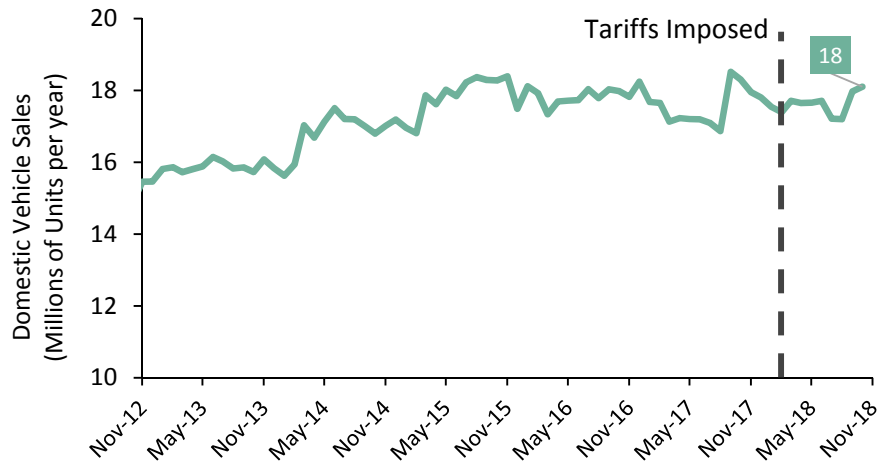
Stock Indexes by Industry Sector

Indexed Metals Sub-Sector Share Price Performance

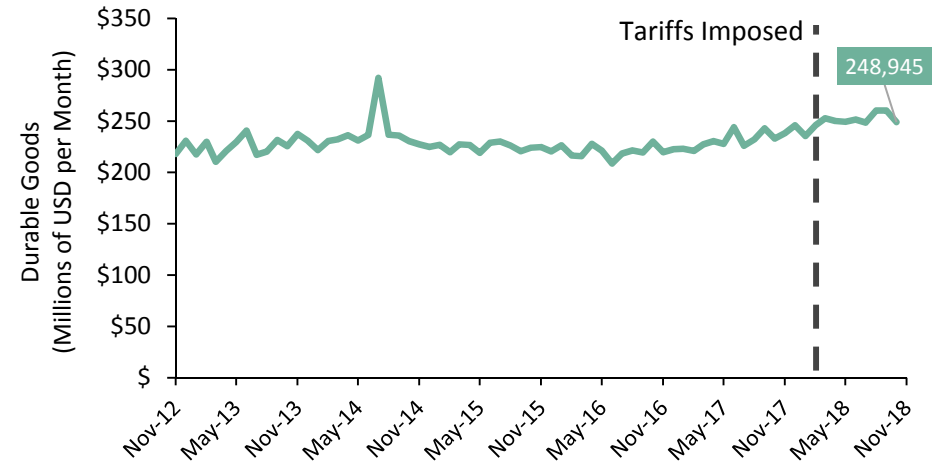


Market Indicators

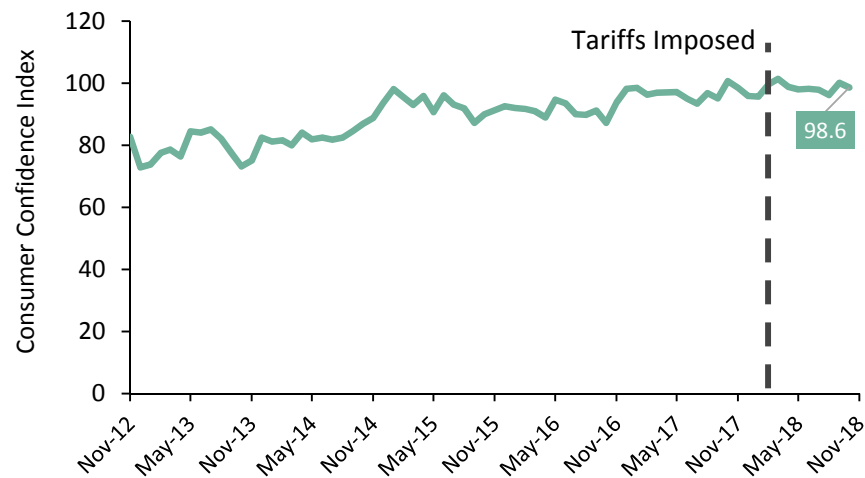
Vehicle Sales in the United States



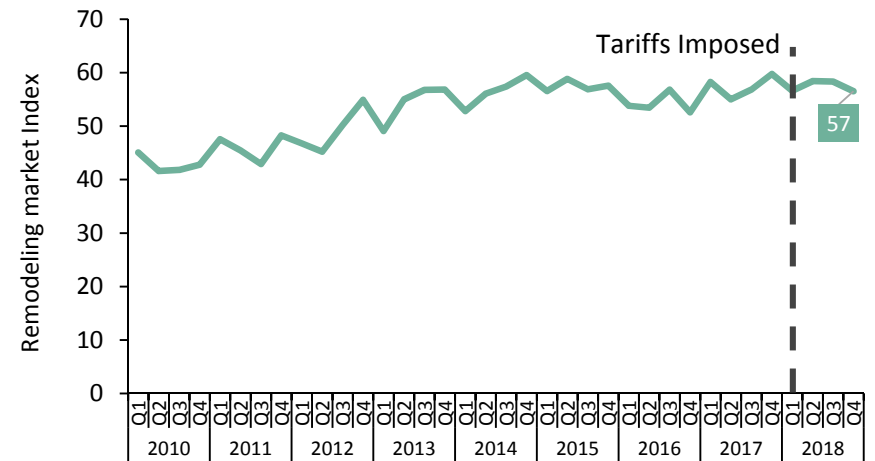
Manufacturers' New Orders: Durable Goods



Consumer Confidence Index

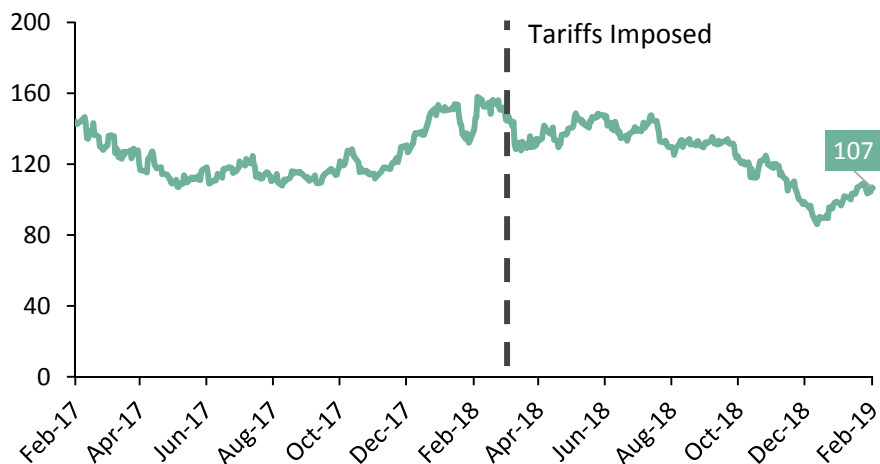


Remodeling Market Index

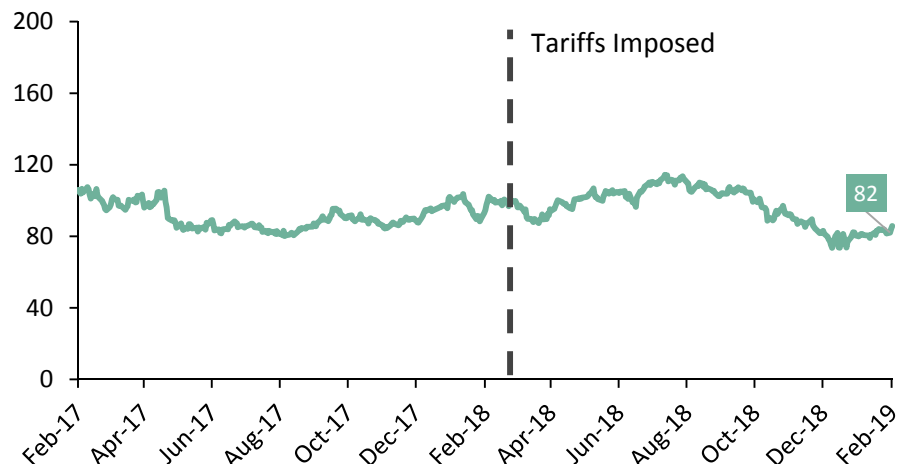


Individual Stock Indexes by Industry Sector

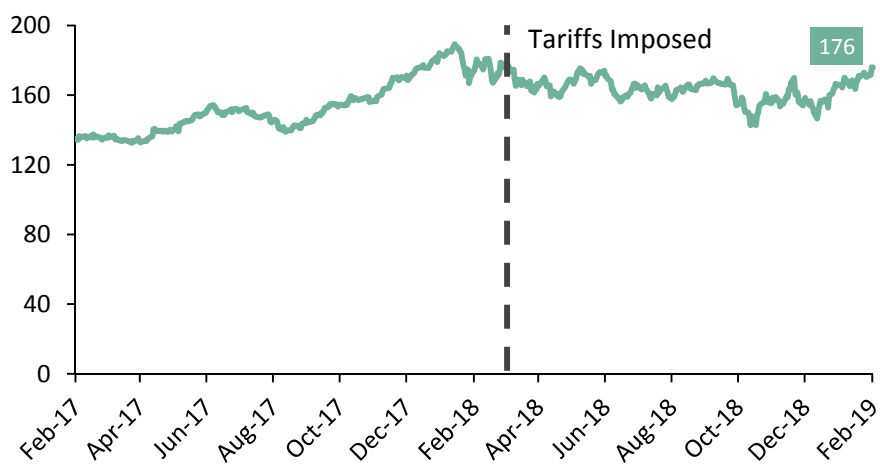
Steel Producers Stock Index



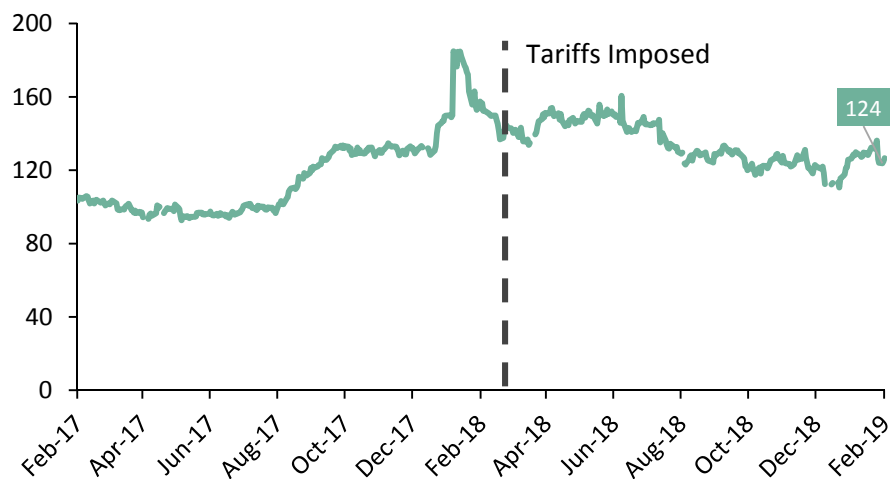
Service Center Stock Index



Manufacturers' Stock Index

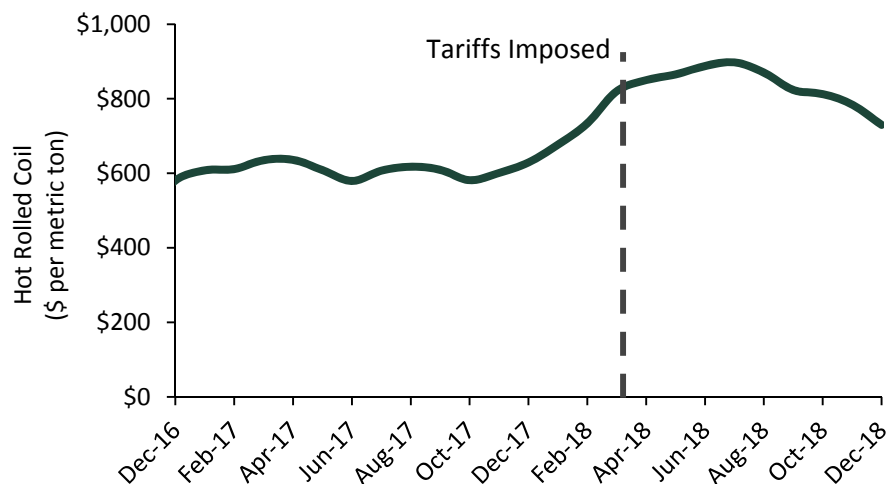


Auto-Manufacturers' Index

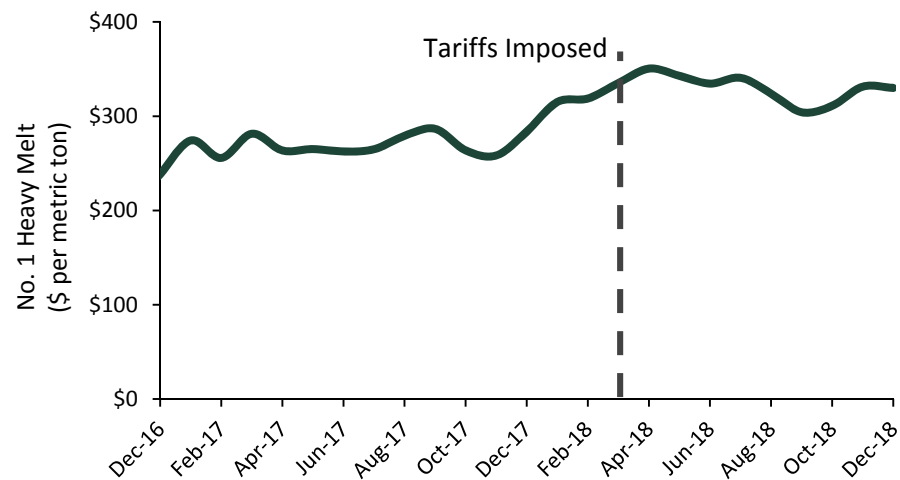


Scrap and Mill Product Pricing Spread

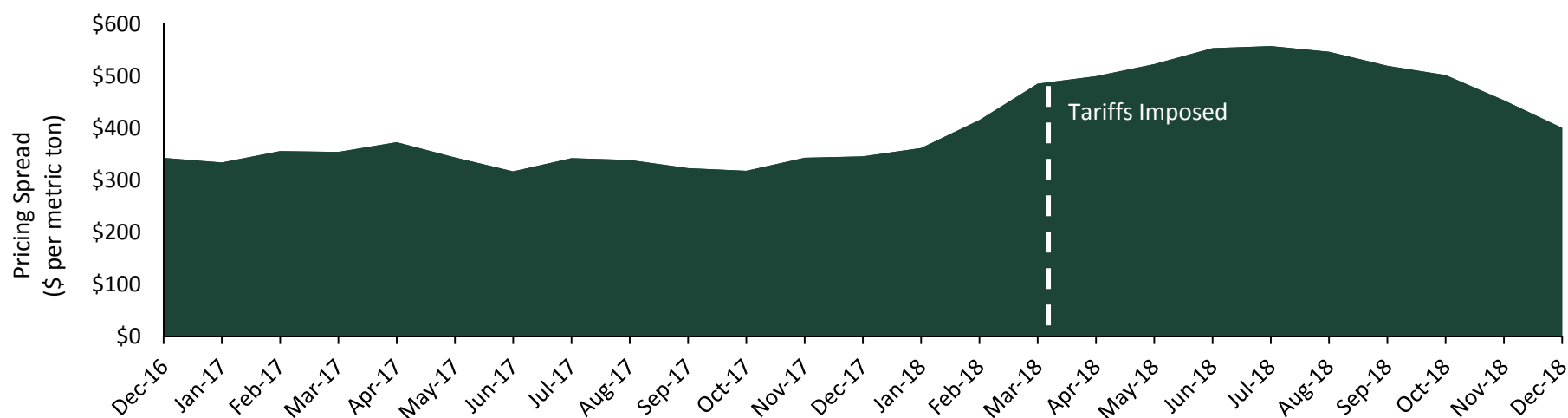
Hot-Rolled Coil Pricing (\$ per metric ton)



#1 Heavy Melt Scrap Prices

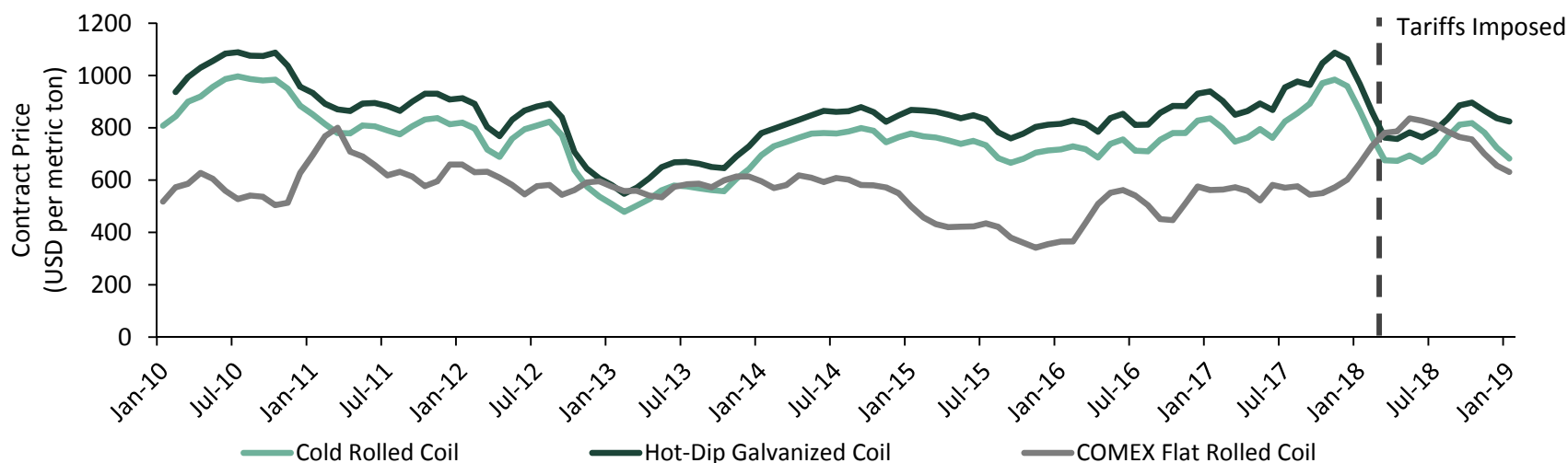


Pricing Spread (\$ per metric ton)



Tariffs' Impact on Metal Commodity Contracts

COMEX Flat Rolled Coil Contract Prices Compared to Related Steel Commodities



LME Aluminum Contract Prices Compared to Related Aluminum Commodities

