S T R Y N E W S L E T T E R

METAL FABRICATION

SECOND QUARTER 2015

This Industry Practice Group was established to draw on the experience of CFA dealmakers, who as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

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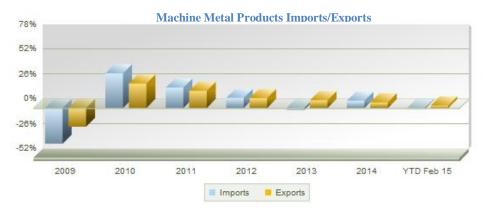
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Metal Fabrication M&A

M&A activity for North American based target companies in the Metal Fabrication sector for Q1 2015 included 38 closed deals, according to data multiplied by industry data tracker FootSet, with an average enterprise value

published by industry data tracker FactSet, with an average enterprise value of \$42 million. The metals sector

has faced some challenges in the early going in 2015 driven primarily by the strong dollar powering an uptick in imports and depressed pricing environment. However, demand still remains strong as capital equipment manufacturers (automotive, agricultural, aerospace) continue grow and require fabricated and machined components and equipment.



Transactional Overview

Notable closed transactions for the period in the Metal Fabrication sector include:

January 2015 - Worthington Industries, Inc. acquired Rome Strip Steel Co, Inc. for US\$54.5 million in cash. Worthington Industries, Inc. engages in metals processing, focused on value-added steel processing and manufactured metal products. Rome Strip Steel Co., Inc. produces close tolerance cold rolled strip steels. Its products include strip steels and alloy steels.

January 2015 - Ryerson Holding Corp acquired Fay Industries Inc. for US\$20.1 million. Ryerson Holding Corp. operates as a holding company, which through its subsidiaries engages in the processing and distribution of metals. Fay Industries manufactures metals, steel, alloy and aluminum products.

January 2015 - Graco, Inc. acquired High Pressure Equipment Co, a portfolio company of Wasserstein & Co LP and Audax Mezzanine, for US\$160 million in cash. Graco, Inc. designs, manufactures and markets premium equipment to pump, meter, mix and dispense a wide variety of fluids and coatings. Wasserstein & Co. LP is a New York City-based, independent private equity and investment firm.

M&A Trends

With an industry as fragmented metal fabrication there is always an undertow of consolidation among the larger industry players. Precision Castparts has been active in the space for some time. There have also been a number of private equity roll ups. As regional players gain scale and improve efficiencies M&A activity is bound to continue.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Merchants Metals, Inc.	Atlas FRM LLC
Wyre Tek LLC	WireMasters, Inc.
Automated Metal Technologies, Inc.	K&K Industries, Inc.
Dan's Machine Works LLC	Metalcraft Industries, Inc.
M&M Manufacturing LLC	MiTek Industries, Inc.
Helical Products Co., Inc.	MW Industries, Inc.
Centerline Machine, Inc.	Dielectric Corp.
Rome Strip Steel Co., Inc.	Worthington Industries, Inc.

Industry Update

US industrial production by machine shops increased nearly 5 percent in 2014 compared to the previous year and has continued into 2015. Strong production growth by some key machine shop customer groups may have contributed to the industry's gains in 2014. US production of motor vehicles and parts rose 8 percent in 2014 compared to the prior year; machinery production climbed more than 7 percent. Manufacturers of fabricated metal products saw production grow more than 5 percent, and production of aerospace products and parts increased 2.2 percent.

US industrial production of fabricated metal products increased about 4 percent in December 2014 compared to the same period a year earlier. Forgings and stampings saw some of the largest gains, with growth of more than 10 percent. Improving US construction spending likely contributed to a 6 percent increase in architectural and structural metals production. Fabricated metal product manufacturers also likely benefited from increased production in some key end-use OEM markets. US machinery production rose 12 percent in December 2014, and production of motor vehicles and parts grew 7 percent. Production of aerospace products and parts increased about 4 percent.

Global demand for machine tools is expected to reach more than \$140 billion by 2020 amid a steady rise in manufacturing activity, according to a recent report by Global Industry Analysts. US manufacturers are forecast to continue to re-shore some operations amid higher labor costs in China, high transportation costs, and the difficulties of maintaining far-flung supply chains.

US capital spending for machine tools is forecast to rise 37 percent in 2015 compared to 2014, according to a recent survey by Gardner Business Media. High rates of capacity utilization by machine shops and other heavy users of machine tools, including metalworking machinery, suggest companies may have to invest in capital equipment purchases to keep up with new orders.

Key Indicators

US steel mill product prices, an indicator of commodity steel costs for machine shops, fell 4.8 percent in March 2015 compared to the same month in 2014.

According to data published by the Interindustry Economic Research Fund, Inc. (IERF) revenue for US machine shops is forecast to grow at an annual compounded rate of 5 percent between 2015 and 2019.

Collectively, the Metal Fabrication Practice Group provides M&A advice to public and private companies in all sectors of the metal fabrication industries, including fabricated structural steel, sheet metal work, metal stamping, steel and iron forgings, fabricated metal products and screw machine product manufacturing.

