

METAL FABRICATION

FOURTH QUARTER

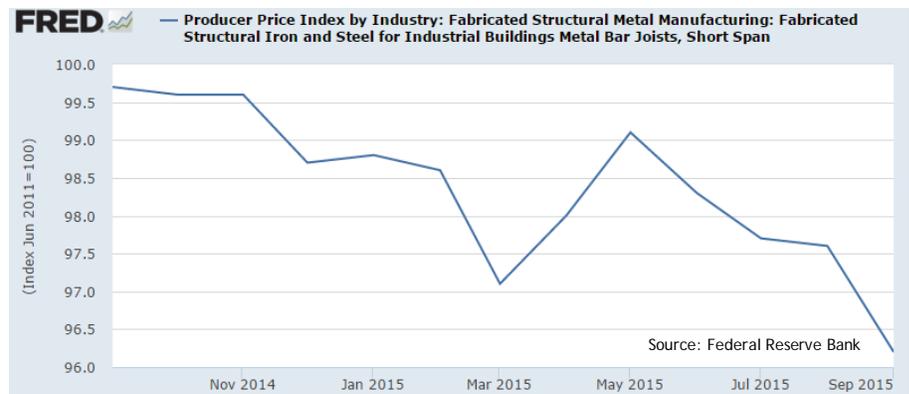
2015

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.

Metal Fabrication M&A

M&A activity for North American based target companies in the Metal Fabrication sector for Q3 2015 included 44 closed deals, according to data

published by industry data tracker FactSet. The average transaction value was \$287 million. The biggest news of the quarter was the announcement in August that Berkshire Hathaway, Inc. agreed to acquire the remaining 96.9% stake in Precision Castparts Corp. for \$31.3 billion. The deal is one of the largest by Warren Buffett, who has focused of late on acquiring industrial companies such as Iscar Metalworking (2006) and chemical maker Lubrizol (2011). The deal also helped Berkshire put some of its ample cash reserves - \$66 billion as of June 30 - to work.

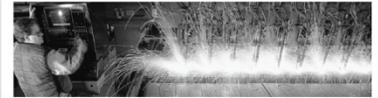


According to a report from the Manufacturers Alliance for Productivity and Innovation (MAPI), fabricated metals production should post moderate gains of 1% in 2015 and 3% in both 2016 and 2017. Forging and stamping was up 7%, architectural and structural metals rose 3%, and coating, engraving, and heat treating rose 3% in the three months ending July 2015 relative to the same period one year ago. Machine shop turned products and fasteners fell 3%. Fabricated metal manufacturing declined in Q3 2015 as a result in a slowdown in new orders for durable goods - automotive, aerospace, electronics, etc.

Transactional Overview

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

September 2015 - Steel Dynamics Inc. acquired the business and assets of steel decking facilities from Consolidated Systems Inc. for US\$45 million in cash. Steel Dynamics, Inc. is a diversified carbon-steel steel producer and metals recycler in the U.S. It produces a wide array of steel - beams, bars, steel sheet, and more. Consolidated Systems, Inc. engages in steel fabrication for construction and OEM markets.



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September 2015 - BTD Manufacturing Inc., a subsidiary of Otter Tail Corp, acquired Impulse Manufacturing Inc. for US\$30.5 million in cash. BTD Manufacturing, Inc. provides custom metalworking services. It offers assembly, finishing, tooling, stamping, fabrication, tubing, welding, machining, and quality control services. Impulse Manufacturing, Inc. manufactures fabricated metal products. The company provides fabrication, tube, cutting, stamping, forming, welding, machining and finishing services.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Private Systems, Inc.	Cataract Steel Industries, Inc.
Architectural Railings & Grilles, Inc.	Convergent Capital LLC
Impulse Manufacturing, Inc.	BTD Manufacturing, Inc.
Smiths Machine LLC	Babson Capital Management LLC
Acme Finishing Co. LLC	Acuity Capital Partners LLC
The J. J. Ryan Corp.	Heritage Holdings LLC
Souriau PA&E, Inc.	ShoreView Industries LLC
Quality Metalcraft, Inc.	The Watermill Group

August 2015 - Union Partners I LLC acquired the business and assets of Wyoming Operations from Lee Steel Corp for US\$39.1 million, via bankruptcy and auction. Union Partners I LLC operates as an investment holding company with operations in metals and logistics industries. Lee Steel Corp. designs and manufactures steel products. Its products includes hot rolled, cold rolled, hot dipped galvanized, galvanized, electro-galvanized, aluminized steels, galvalume, pre-painted, and exposed coated products.

M&A Trends

With such a highly fragmented space - the US fabricated metal product manufacturing industry includes about 55,000 companies with about \$340 billion in combined annual revenue - there is a continuous play for consolidation as larger companies look to acquire market share and additional capabilities. Precision Castparts, now part of Berkshire Hathaway, is a prime example.

Industry Update

New orders for fabricated metal products declined 1% in the first five months of 2015 compared to the same period a year earlier; shipments rose less than 2%. Some fabricated metal product manufacturers may be seeing reduced orders from key customer groups that are experiencing drops in demand. New orders for machinery dropped nearly 9% in the first five months of 2015; shipments were down nearly 2%. Sharp order declines for nondefense and defense aircraft (25% and 17%, respectively) drove a 4% drop in new orders for transportation equipment. However, motor vehicles and parts remain a bright spot in the transportation equipment sector; motor vehicles and parts new orders and shipments both rose more than 8%.

- US durable goods manufacturers' shipments of fabricated metal products, an indicator of fabricated metal parts production, rose 0.5 percent year-to-date in August 2015 compared to the same period in 2014.
- According to data from the Interindustry Economic Research Fund, Inc. (IERF), an economic research group, revenue for the US manufacturing sector is forecast to grow at an annual compounded rate of 5% between 2015 and 2019, based on changes in physical volume and unit prices.
- US steel mill product prices, an indicator of commodity steel costs for industrial machinery manufacturers, fell 14.1 percent in August 2015 compared to the same month in 2014.

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.

