



METALS *IQ*

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Industry-Specific Overview of Recent M&A and Capital Markets Activity

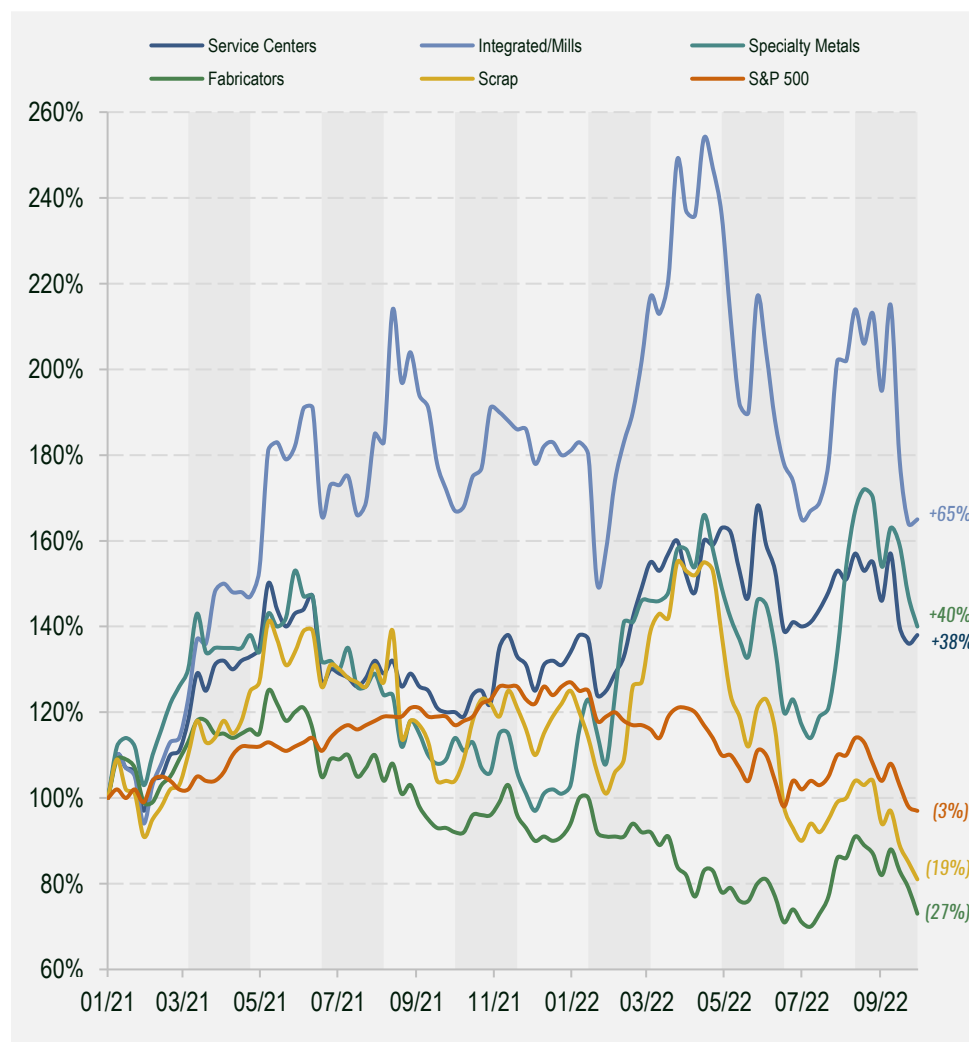
OCTOBER 2022

Recent Market Observations

Metals Industry Update | October 2022

- A variety of metals producers are sounding cautionary alarms as the broader economic sentiment trends increasingly in a bearish direction. U.S. Steel, for example, recently issued revised third quarter guidance, stating “accelerating market headwinds in the third quarter negatively impacted demand across most end-markets, which is expected to lower shipment volumes.” As a result, the company revised its third quarter earnings estimate to a level more than 10% below the average of Wall Street estimates. Likewise, aluminum producer Alcoa recently warned of lower earnings, pointing to rising costs for energy and raw materials, along with on-going and persistent supply-chain disruptions.
- Prospects for metals market participants can vary widely depending on end-market exposure. Both Steel Dynamics and Nucor are major suppliers of steel for construction, particularly non-residential projects that include commercial buildings, warehouses, and data centers, all of which face attractive growth prospects. These companies, and others, stand to benefit from the \$1.2 trillion infrastructure bill that was signed into law in November, 2021. On the other hand, companies like U.S. Steel have significant exposure to end-markets that are more susceptible to inflationary pressures, and therefore, face less attractive prospects. These end-markets include automotive, appliance, residential construction, containers and packaging, among others.
- Through 2021 and into early 2022, historically high steel prices resulted in record profitability for many steel makers and provided ample resources for capital investments across the industry. A prime example is Steel Dynamics’ rollout of a planned \$2.2 billion investment in an aluminum rolling mill aimed largely at supplying beverage can manufacturers and auto makers, where lightweight aluminum is rapidly replacing steel.
- It is interesting to note that metals companies are not immune to the growing influence of climate-related initiatives. In September, 2022, the Biden administration announced that the federal government (the world’s largest direct purchaser of construction materials) will prioritize the purchase of construction materials, including steel, that have fewer embedded emissions associated with their production and use.

Recent Stock Price Performance – Metals Indices


















Source: Capital IQ

Metals Universe – **Service Centers:** RS, ZEUS; **Integrated/Mills:** CMC, NUE, STLD, X;

Specialty Metals: ATI, CRS, HAYN, USAP; **Scrap:** SCHN, SGM; **Fabricators:** ROLL, TKR, WOR

Public Market Trading Multiples

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(\$ in millions, other than stock price)		9/30/2022	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV ⁽¹⁾	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Service Centers	 Olympic Steel	\$22.81	(12%)	\$254	\$563	\$2,699	\$225	21%	8%	1.3x	0.2x	2.5x
	 Reliance Steel & Aluminum	174.41	2%	10,516	11,889	17,003	2,872	32%	17%	0.5x	0.7x	4.1x
	Median							26%	13%	0.9x	0.5	3.3x
Integrated/Mills	 Commercial Metals Company	\$35.48	5%	\$4,275	\$5,541	\$8,537	\$1,348	20%	16%	0.9x	0.6x	4.1x
	 Nucor Corporation	106.99	1%	28,031	34,247	42,965	13,320	34%	31%	0.4x	0.8x	2.6x
	 Steel Dynamics	70.95	7%	12,956	14,607	22,182	6,221	32%	28%	0.3x	0.7x	2.3x
	 United States Steel Corporation	18.12	1%	4,299	5,452	23,110	6,535	30%	28%	0.2x	0.2x	0.8x
	Median							31%	28%	0.3x	0.7x	2.5x
Specialty Metals	 Allegheny Technologies	\$26.61	19%	\$3,457	\$5,049	\$3,285	\$453	17%	14%	3.1x	1.5x	11.1x
	 Carpenter Technology	31.14	14%	1,504	2,094	1,836	100	8%	5%	5.2x	1.1x	21.0x
	 Haynes International	35.12	10%	433	479	442	63	21%	14%	0.7x	1.1x	7.5x
	 Universal Stainless & Alloy Prod.	7.12	(1%)	64	148	180	18	12%	10%	4.6x	0.8x	8.1x
	Median							14%	12%	3.8x	1.1x	9.6x
Fabricators	 RBC Bearings	\$207.81	12%	\$5,965	\$7,459	\$1,141	\$300	39%	26%	4.9x	6.5x	24.9x
	 The Timken Company	59.04	10%	4,336	6,028	4,323	748	27%	17%	2.1x	1.4x	8.1x
	 Worthington Industries	38.14	(13%)	1,889	2,798	5,540	362	12%	7%	2.0x	0.5x	7.7x
	Median							27%	17%	2.1x	1.4x	8.1x
Scrap	 Schnitzer Steel Industries	\$28.46	(12%)	\$781	\$1,220	\$3,437	\$287	14%	8%	1.4x	0.4x	4.3x
	 Sims Limited	8.62	(8%)	1,620	1,900	6,392	353	12%	6%	0.7x	0.3x	5.4x
	Median							13%	7%	1.1x	0.3x	4.8x

Source: Capital IQ

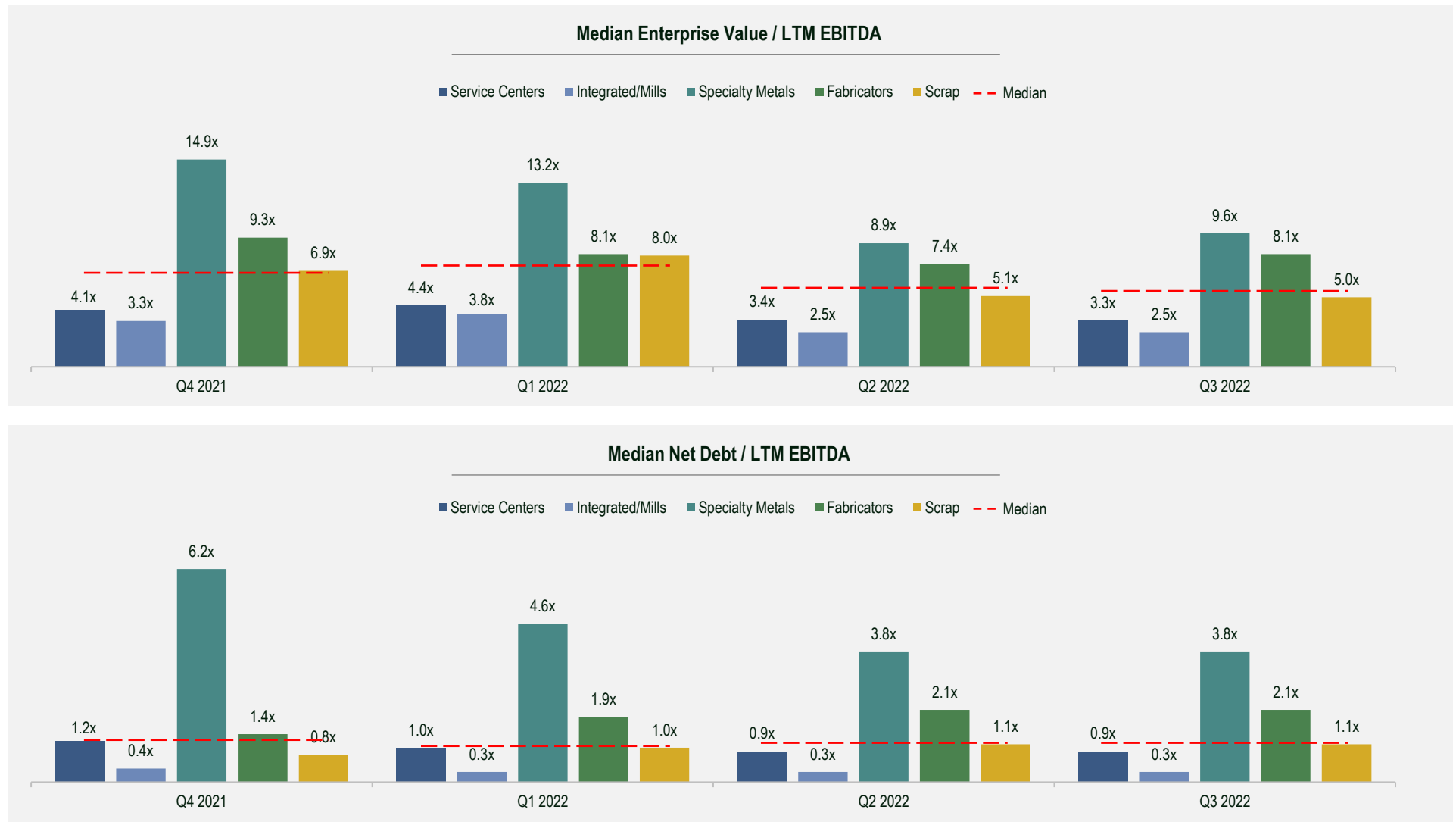
(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity, and minority interest.

(2) Medians exclude all non-meaningful values.

Valuation and Debt Multiples

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Although valuation multiples in the sector have seen some fluctuations over the past year, median valuation multiples and debt levels in the sector have remained relatively stable over this period



Source: Capital IQ

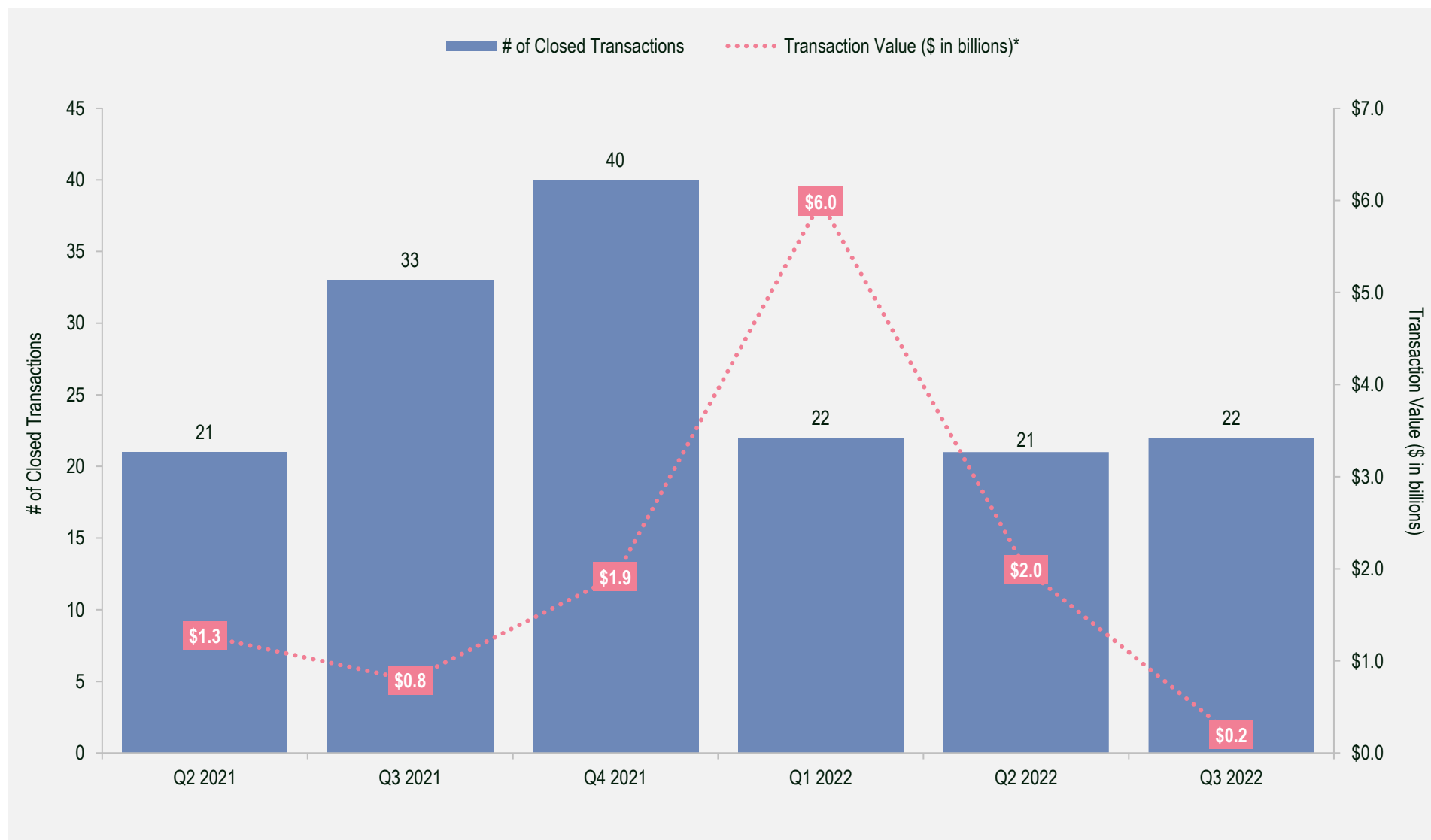
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U.S. M&A Activity

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Deal volume has remained relatively steady in recent quarters, with 22 Metals reported deals in Q3 2022






































Source: Capital IQ

*Transaction Value represents publicly announced deal terms

Recent Transaction Activity

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Date	Target	Acquiror	Enterprise Value (\$M)	Target Description
08/22			Undisclosed	Engages in the machining and fabrication of products for various industries
08/22			\$15	Designs and fabricates custom trim and millwork
08/22			\$179	Provides storage locker systems
07/22	Fabrication Concepts Corp.		Undisclosed	Operates as a precision sheet metal fabricator and contract manufacturer
07/22			Undisclosed	Precision sheet metal fabrication and contract manufacturer and full solutions provider
07/22			Undisclosed	Manufactures water well equipment and accessories for various end-markets
06/22			\$26	Manufactures industrial knives and hardened wear products
06/22			\$1,890	Manufactures and distributes vinyl, aluminum, and steel outdoor products
05/22			Undisclosed	Manufactures industrial rolls, plates, sleeves, and machined components
05/22			Undisclosed	Operates as an aluminum extrusion company
04/22			Undisclosed	Manufactures steel sheets and heavy plates
04/22			\$75	Operates as a storage and material handling system integrator
03/22			Undisclosed	Manufactures, designs, and installs radio frequency and magnetic shielding
02/22			\$5,027	Provides metal roofing, metal wall systems, metal accessories, and various other building products
02/22			Undisclosed	Engages in machining, grinding, welding, and fabricating precision components
02/22			Undisclosed	Designs, engineers, and produces sheet metal components
02/22			Undisclosed	Manufactures and supplies high temperature materials, coatings, and components
01/22			\$950	Manufactures residential building products, including aluminum and steel siding and accessories

Source: Capital IQ

Amherst's Representative Metals Transactions

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<p>Benson Industries Portland, OR</p> <p>BENSON</p> <p>has been acquired by MiTek Industries, Inc. Chesterfield, MO</p> <p>MiTek</p> <p>A subsidiary of BERKSHIRE HATHAWAY INC.</p> <p>AmherstPartners</p> <p>Acted as advisor to Benson Industries</p>	<p>Coated Steel Corporation Itasca, IL</p> <p>COATED STEEL CORPORATION</p> <p>has been acquired by Mill Steel Grand Rapids, MI</p> <p>MILL STEEL C O M P A N Y</p> <p>AmherstPartners</p> <p>Acted as advisor to Coated Steel Corporation</p>	<p>Federal-Mogul Corp. Southfield, MI</p> <p>FEDERAL MOGUL</p> <p>has divested its Signal Strat Division to TruckLite</p> <p>Truck-Lite Co., Inc. Falconer, NY</p> <p>a subsidiary of the Penske Corporation</p> <p>PENSKE</p> <p>AmherstPartners</p> <p>Acted as advisor to Federal Mogul Corp.⁽¹⁾</p>	<p>Mercury Manufacturing Company Wyandotte, MI</p> <p>MERCURY MANUFACTURING COMPANY</p> <p>has been acquired by O2 Investment Partners, LLC Bloomfield Hills, MI</p> <p>O2 O2 Investment Partners, LLC</p> <p>AmherstPartners</p> <p>Acted as advisor to Mercury Manufacturing Company</p>	<p>Monarch Machining & Fabrication Milwaukee, WI</p> <p>MONARCH MACHINING & FABRICATION</p> <p>has been acquired by Red Top Capital Hartland, WI</p> <p>Red Top Capital</p> <p>AmherstPartners</p> <p>Acted as advisor to Monarch Machining & Fabrication</p>
<p>Precision Aero Corporation Troy, OH</p> <p>PrecisionAero</p> <p>has been acquired by H-D Advanced Manufacturing Pittsburgh, PA</p> <p>HD ADVANCED MANUFACTURING</p> <p>AmherstPartners</p> <p>Acted as advisor to Precision Aero Corporation</p>	<p>Simpson Industries, Inc. Plymouth, MI</p> <p>SIMPSON INDUSTRIES</p> <p>has acquired the Vibration Attenuation Division of Holset Engineering Company</p> <p>A subsidiary of Cummins Engine Co. Columbus, IN</p> <p>Cummins</p> <p>AmherstPartners</p> <p>Acted as advisor to Simpson Industries, Inc.⁽¹⁾</p>	<p>Woodsage, LLC Holland, OH</p> <p>WOODSAGE Experts in Tube Fabrication</p> <p>has been acquired by Milton Street Capital Houston, TX</p> <p>MILTON STREET CAPITAL</p> <p>AmherstPartners</p> <p>Acted as advisor to Woodsage, LLC</p>	<p>Veltri Metal Products, Inc. Troy, MI</p> <p>VELTRI</p> <p>has been acquired by Flex-N-Gate Corporation Urbana, IL</p> <p>FLEX N GATE</p> <p>AmherstPartners</p> <p>Acted as advisor to Veltri Metal Products</p>	<p>Westerman, Inc. Bremen, OH</p> <p>Westerman Companies</p> <p>has been acquired by Worthington Industries, Inc. (NYSE: WOR) Columbus, OH</p> <p>WORTHINGTON INDUSTRIES</p> <p>AmherstPartners</p> <p>Acted as advisor to Westerman, Inc.</p>

(1) Transactions executed by Amherst professionals while employed at previous firms

The Amherst Partners Team

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With a track record spanning over 25 years, Amherst Partners is a boutique investment banking firm focused on providing M&A advisory and capital raising services primarily for closely-held businesses

Boutique investment bank with significant Wall Street experience



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Ray Dallavecchia, Jr.
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