



# METALS *IQ*

**AmherstPartners**

EXPERIENCE | SOLUTIONS | RESULTS

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

APRIL 2023

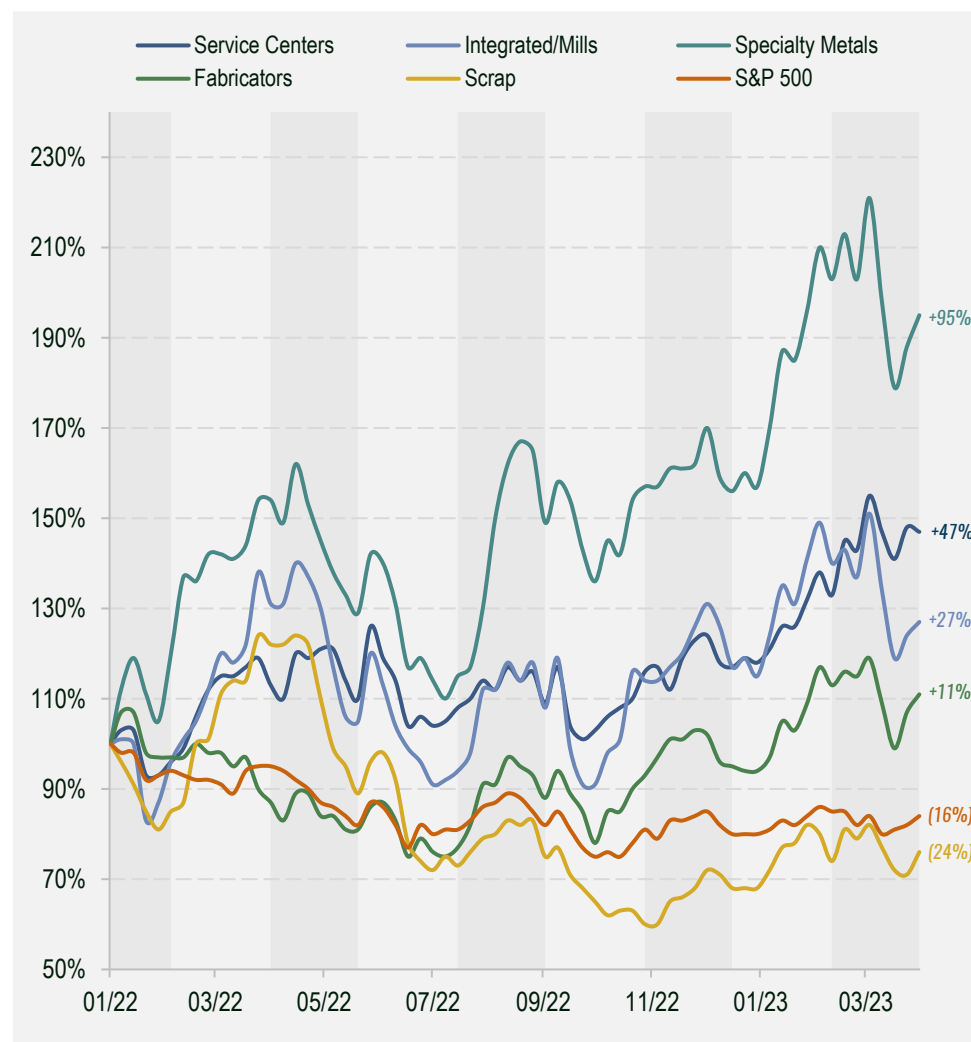
# Recent Market Observations

Metals Industry Update | April 2023

The metals industry is experiencing significant changes driven by global supply and demand fluctuations, sustainability concerns, and technological advancements. As companies and investors adapt to shifting market dynamics and a push for greener solutions, the following themes continue to impact the sector:

- **Escalating Metal Prices from Rising Demand and Stable Supply:** Metal prices, particularly for steel, have risen steadily in the first few months of 2023 after falling significantly over the course of 2022. A variety of global factors are sighted for the recent price increases. On the demand side, the relatively rapid reopening of China's economy following pandemic-related closures, the resilience of European manufacturers and consumers in overcoming what many thought would be energy-related constraints related to Russian sanctions, and a U.S. economy that stubbornly refuses to soften despite rising interest rates. As for supply, a number of factors (e.g., spring maintenance shut-downs, a slow ramp in new production capacity, and in the U.S., low import volumes) have contributed to a relatively steady state when it comes to supply rather than seeing supply expand to meet the escalating demand. While prices are expected to moderate in 2H 2023, based on record net inflows of cash investing in metals futures, investors appear to be betting that elevated prices are not falling significantly anytime soon
- **Continued Tariff Pressures:** The U.S. Supreme Court recently opted not to consider an appeal challenging import tariffs on certain metals, which were put into place in 2018 by the Trump administration and have, for the most part, been maintained under the Biden administration. A 25% and 10% tariff remains in place for steel and aluminum, respectively, on imports from most foreign countries. This positions companies within Amherst Partners' Metals indices to benefit as prices remain elevated; however, it also contributes to the inflationary pressures negatively impacting many end users
- **Green Steel and Sustainability Efforts:** Replacing traditional steel, produced via a heavily-polluting process, with "green steel" is gaining momentum with advances in technology accompanied by heightened interest from investors. The vast majority of global steel production currently relies on burning coal, a process that according to the International Energy Agency accounts for roughly 8% of global carbon dioxide emissions. Recent technology breakthroughs, including using electrical current to convert iron ore into steel, are showing promising results and attracting investment dollars from both traditional steel industry participants as well as non-traditional (e.g., Microsoft's climate technology fund) sources – highlighting the cross-sector demand for sustainability

## 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:** TKR, WOR

# Public Market Trading Multiples

Metals Industry Update | April 2023

(\$ in millions, other than stock price)		3/31/2023	Quarterly	Market	Total	LTM		Gross	EBITDA	Net Debt /	Enterprise Value / LTM	
Company		Stock Price	Price Δ	Cap.	EV <sup>(1)</sup>	Revenue	EBITDA	Margin	Margin	EBITDA	Revenue	EBITDA
Service Centers	 Olympic Steel	\$52.21	55%	\$581	\$765	\$2,560	\$153	19%	6%	1.1x	0.3x	5.0x
	 Reliance Steel & Aluminum	256.74	27%	15,142	15,843	17,025	2,755	31%	16%	0.2x	0.9x	5.8x
	<b>Median</b>							<b>25%</b>	<b>11%</b>	<b>0.7x</b>	<b>0.6x</b>	<b>5.4x</b>
Integrated/Mills	 Commercial Metals Company	\$48.90	1%	\$5,727	\$6,488	\$9,168	\$1,575	22%	17%	0.5x	0.7x	4.1x
	 Nucor Corporation	154.47	17%	38,917	42,174	41,512	11,568	30%	28%	0.2x	1.0x	3.6x
	 Steel Dynamics	113.06	16%	19,286	20,176	22,261	5,476	27%	25%	0.2x	0.9x	3.7x
	 United States Steel Corporation	26.10	4%	5,930	6,650	21,065	4,147	21%	20%	0.1x	0.3x	1.6x
	<b>Median</b>							<b>24%</b>	<b>22%</b>	<b>0.2x</b>	<b>0.8x</b>	<b>3.7x</b>
Specialty Metals	 Allegheny Technologies	\$39.46	32%	\$5,072	\$6,401	\$3,836	\$542	19%	14%	2.2x	1.7x	11.8x
	 Carpenter Technology	44.76	21%	2,171	2,974	2,155	167	11%	8%	4.4x	1.4x	17.8x
	 Haynes International	50.09	10%	627	712	524	84	21%	16%	1.0x	1.4x	8.5x
	 Universal Stainless & Alloy Prod.	9.35	30%	85	182	202	11	7%	5%	9.2x	0.9x	17.2x
	<b>Median</b>							<b>15%</b>	<b>11%</b>	<b>3.3x</b>	<b>1.4x</b>	<b>14.5x</b>
Fabricators	 The Timken Company	\$81.72	16%	\$5,916	\$7,682	\$4,497	\$823	29%	18%	2.0x	1.7x	9.3x
	 Worthington Industries	64.65	30%	3,143	3,804	5,208	277	11%	5%	1.8x	0.7x	13.7x
	<b>Median</b>							<b>20%</b>	<b>12%</b>	<b>1.9x</b>	<b>1.2x</b>	<b>11.5x</b>
Scrap	 Schnitzer Steel Industries	\$31.10	1%	\$851	\$1,328	\$3,286	\$214	12%	7%	1.9x	0.4x	6.2x
	 Sims Limited	10.40	17%	1,968	2,215	6,015	220	11%	4%	0.9x	0.4x	10.1x
	<b>Median</b>							<b>12%</b>	<b>5%</b>	<b>1.4x</b>	<b>0.4x</b>	<b>8.1x</b>

Source: Capital IQ

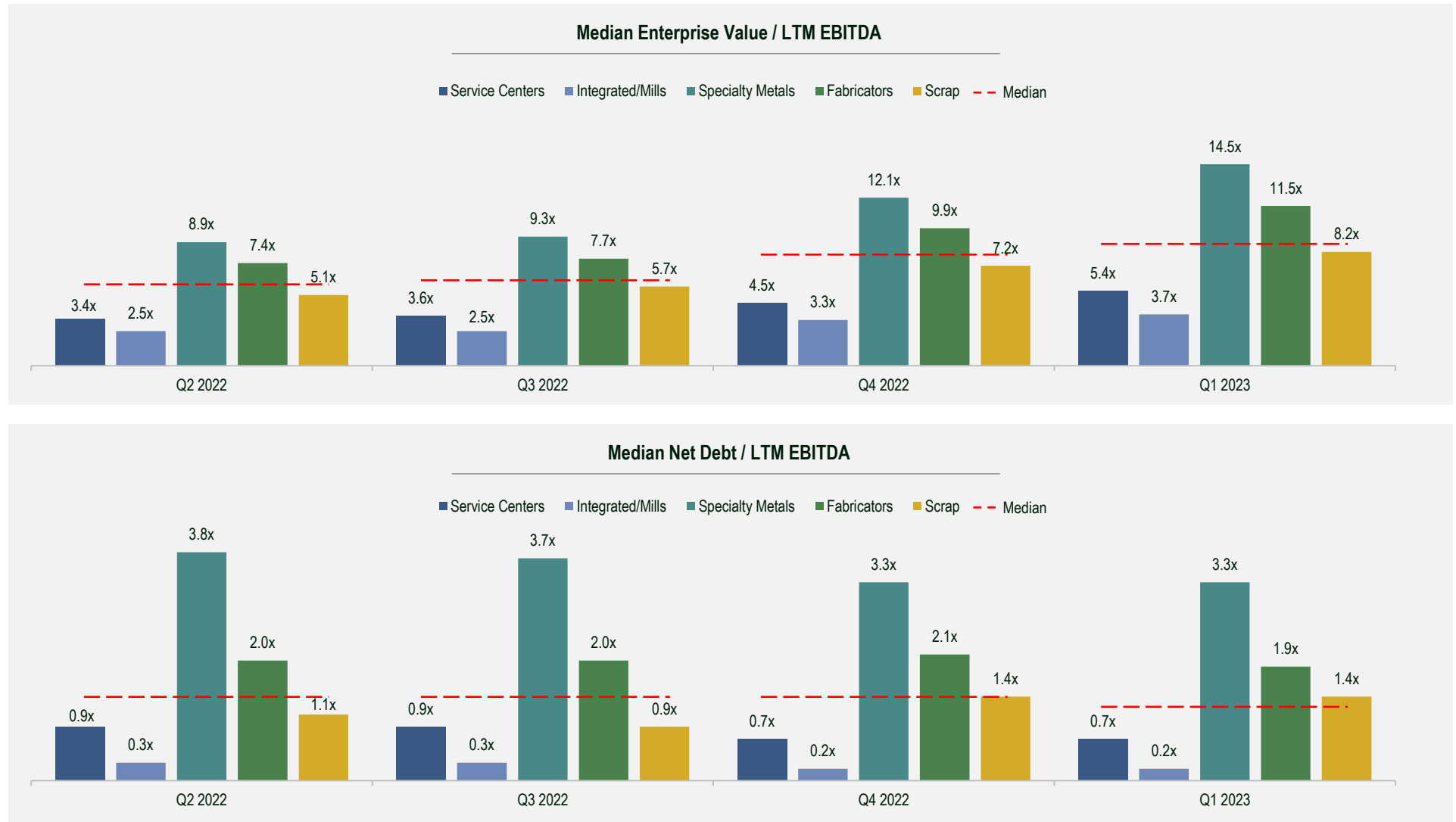
(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity, and minority interest.

(2) Medians exclude all non-meaningful values.

# Valuation and Debt Multiples

Metals Industry Update | April 2023

Over the past year, valuations have experienced a meaningful improvement across all Metals sub-sectors. For this same period, median leverage levels have also decreased across the industry



Source: Capital IQ

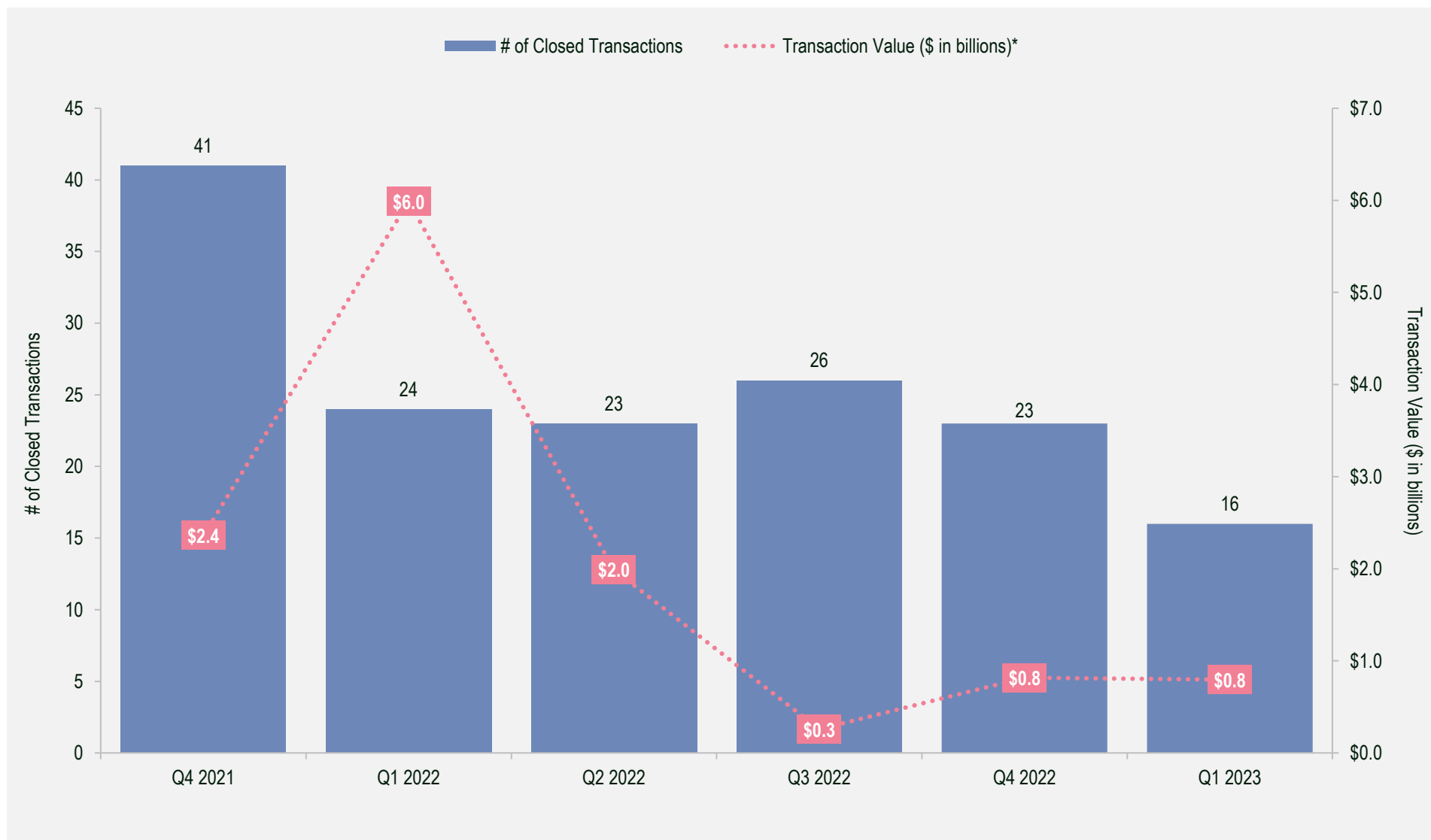
(1) EV ("Enterprise Value") is defined as market capitalization plus net debt, preferred equity, and minority interest.

(2) Medians exclude all non-meaningful values.

# U.S. M&A Activity

Metals Industry Update | April 2023

*Aggregate Metals deal value in Q1 2023 declined by 87% (or \$5.2 billion) compared to Q1 2022. Deal volume also declined with 16 Metals reported deals in Q1 2023 as compared to 24 in Q1 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
03/23	<b>Texarkana Aluminum</b>	 <b>TA CHEN</b> INTERNATIONAL, INC.	\$100	Provides aluminum casting, hot rolling, cold rolling, annealing, and finishing
02/23	 <b>GEM</b> mfg	 <b>CORE</b> INDUSTRIAL	Undisclosed	Manufactures metal products, stampings, and mechanical assemblies
02/23	 <b>TACK</b> Electronics, Inc.	 <b>AU XO</b> Auxo Investment Partners	Undisclosed	Engages in the production of custom wire harnesses and assemblies
01/23	 <b>LAKE AIR</b> PRODUCTS	 <b>P4G</b> CAPITAL	Undisclosed	Provides sheet metal fabrication and machining components for medical, communications, electrical, aerospace, food, packaging, mining, and more
01/23	 <b>Pro Mold &amp; Die</b>	 <b>WOLF</b> INDUSTRIAL ADVISORS	Undisclosed	Manufactures plastic injection molds, diecast dies, and associated tooling for the various industries
01/23	<b>Saje Enterprises, LLC</b>	 <b>THE HEICO</b> COMPANIES	Undisclosed	Manufactures custom sheet metal components and assemblies for OEMs in the aerospace and critical industrial sectors
01/23	 <b>FLEXSTEEL</b>	 <b>Cactus</b>	\$696	Manufactures pipe and pipeline products for the oil and gas industry, as well as water and injection flow lines, and CO2 transportation
01/23	 <b>PWP</b> PENN WIRE PRODUCTS CORP.	 <b>WIRE-MESH</b> PRODUCTS, INC.	Undisclosed	Engages in manufacturing wire conveyor belts
12/22	 <b>MFC</b>   METAL FORMING AND COINING	 <b>TORQUE</b> CAPITAL GROUP	Undisclosed	Manufactures cold-formed components and offers vehicle components
11/22	 <b>STANDARD</b> INDUST	 <b>TB</b> TONKA BAY	Undisclosed	Engages in the manufacture of machined components for automotive, aerospace and defense, heavy equipment, and other industries
11/22	 <b>STEELPRO</b>	 <b>HSP</b> <b>HEARTLAND</b> STEEL PRODUCTS	Undisclosed	Designs and fabricates a variety of structural steel solutions for commercial, industrial, and material handling applications
11/22	 <b>GERBER</b> METAL SUPPLY COMPANY	 <b>ALL METALS</b>	Undisclosed	Operates as a steel company
11/22	 <b>METALFORMING</b>	 <b>STONEBRIDGE</b> PARTNERS	Undisclosed	Operates as a manufacturer, distributor, and supplier of metal folding machines
09/22	 <b>NIVERT</b>	 <b>PSC</b> <b>Pennsylvania Steel</b> Company, Inc.	Undisclosed	Operates as a metals service center
09/22	<b>CHROMALLOY</b>	 <b>VERITAS</b> CAPITAL	Undisclosed	Offers aftermarket services to the aerospace, energy, and metal coatings industries
09/22	 <b>AdvancedSteel</b> Recovery	 <b>CME</b> <b>Commercial Metals</b>	Undisclosed	Collects, processes, and ships containerized scrap metal worldwide
08/22	 <b>INTEX</b> MILLWORK SOLUTIONS	 <b>AZEK</b> Building Products	\$26	Designs and fabricates custom trim and millwork
08/22	 <b>BARGOLD</b> storage systems	 <b>ExtraSpace</b> Storage	\$179	Provides storage locker systems

Source: Capital IQ

# Amherst's Representative Metals Transactions

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

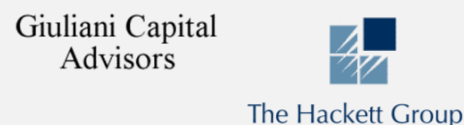
(1) Transactions executed by Amherst professionals while employed at previous firms

# 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**



Core Execution Team



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Partner



**Donald Luciani**  
Partner



**Fahad Siddiqui**  
Director



**Emily Pachla**  
Controller



**John Wendzinski**  
Senior Associate



**Sam Jabara**  
Associate



**John Hayek**  
Analyst

Operations Advisory



**Jon B. Cotton**  
CEO, Apex Health, Former President,  
Meridian Health Plan of Michigan



**Ray Dallavecchia, Jr.**  
Owner, Venetian Associates



**S. Evan Weiner**  
President/CEO, Edw. C. Levy Co.



# AmherstPartners

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