

METAL FABRICATION

THIRD QUARTER

2016

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 Q2 2016 included 42 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$42.5 million.

Private equity continues to have interest in metal fabrication. In May, Indiana-based Metal Powder Products, Inc., a manufacturer

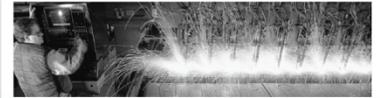
of aluminum and ferrous powder metal components, was acquired by Millstein & Co., a private equity firm with offices in New York and Washington, D.C. Metal Powder Products, which has three factories in Pennsylvania, formerly was a subsidiary of Revere Industries, a manufacturer of metal and plastic components based in Indiana.

Fabricated structural metal fabricating in the U.S. increased significantly during the second quarter driven by an uptick in construction.

Transactional Overview

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

June 2016 - Patrick Industries, Inc. acquired Mishawaka Sheet Metal LLC for US\$14 million in cash. The transaction was funded through companies' existing credit facility. Patrick Industries, Inc. is a manufacturer of component products and distributor of building products and materials serving the recreational vehicle, manufactured housing, kitchen cabinet, household furniture, fixtures and commercial furnishings, marine, and other industrial markets. Mishawaka Sheet Metal LLC distributes and fabricates aluminum, steel, and sheet metal products.



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June 2016 - Alpha Sintered Metals, Inc., a portfolio company of O2 Investment Partners LLC, acquired Precision Made Products for an undisclosed amount. Alpha Sintered Metals, Inc. provides powder metal component solutions. Its capabilities include powder metal manufacturing, product design, tooling, quality assurance, material test lab and raw material. Precision Made Products LLC manufactures metal injection molding and computer numerical control machining.

May 2016 - Standard Motor Products, Inc. acquired the assets and business related to automotive ignition wire business from General Cable Corp for US\$71 million in cash, subject to post-closing adjustments. Standard Motor Products, Inc. is an independent manufacturer, distributor and marketer of replacement parts for motor vehicles in the automotive aftermarket industry, which focuses on the original equipment service market. General Cable manufactures automotive ignition wire products.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
Mishawaka Sheet Metal LLC	Patrick Industries, Inc.
Precision Made Products LLC	Alpha Sintered Metals, Inc.
Pipe Exchange Inc.	Corpac Steel Products Corp.
Viking Metal Cabinet Co.	Spacesaver Corp.
Rubber Fab Gasket & Molding, Inc.	EnPro Industries, Inc.
United States Pipe & Foundry Co.	Forterra Building Products Ltd.
Best Manufacturing, Inc.	Reliance Steel & Aluminum Co.
Clark Spring & Manufacturing, Inc.	Lee Spring Co. LLC

Industry Update

Fabricated metal products manufacturers with high levels of exposure to markets relating to energy and mining are likely to remain cautious with staffing and production until more concrete evidence of a commodities price recovery emerges. US industrial production, a demand indicator for fabricated metal products, declined 2% in March 2016 compared to the same month a year earlier. US industrial output has been hurt by low commodity prices and reduced production in the mining and energy sectors, which has reduced demand for machinery and metals. Throughout 2015, a strong dollar made US exports less competitive, and low oil prices hurt demand for machinery and equipment. But so far in 2016, those headwinds have abated somewhat as oil prices stabilized and the dollar weakened relative to some other key currencies, according to The Wall Street Journal. Also pointing to a possible turnaround, the manufacturing portion of the industrial production index rose 0.4% in March year-over-year. Additionally, in April 2016 the Institute for Supply Management reported that March manufacturing activity marked the first increase in six months.

US new orders for manufactured goods, a demand indicator for metal coating, engraving, and heat treating services, fell by 2.3% in the first four months of 2016 compared to the same period a year earlier. New machinery orders were off by 4.8% overall, as construction machinery orders fell 20% and mining and oil and gas field machinery orders declined by 56%. New orders increased in a couple of key markets for metal coating, engraving, and heat treating services, however. Transportation equipment orders rose by 4.5%, and orders for fabricated metal products were up 2.4%.

Industry Indicators

- US durable goods manufacturers' shipments of fabricated metal products, an indicator of fabricated metal parts production, rose 0.7% year-to-date in May 2016 compared to the same period in 2015.
- US steel mill product prices, an indicator of commodity steel costs for fabricated metal products manufacturers, fell 4.6% in June 2016 compared to the same month in 2015.

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.

