

METAL FABRICATION

FIRST QUARTER

2019

The Metal Fabrication Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Metal Fabrication category. 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 Q4 2018 included 27 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in October when Premier Thermal Solutions LLC, a portfolio company of Z Capital Partners LLC, acquired Alfe Heat Treating, Inc. for an undisclosed amount. The acquisition would expand Premier Thermal Solutions' ferrous and aluminum heat treating services. Alfe Heat Treating is located in Indiana and provides aluminum commercial heat treatment services.

The demand for raw and finished steel is strong across the globe driven by construction and other sectors that rely on fabricated metal.

Transactional Overview

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

November 2018 - DBM Global, Inc., a subsidiary of HC2 Holdings, Inc., acquired Graywolf Industrial, Inc., a portfolio company of Charlesbank Capital Partners LLC, for an enterprise value of US\$135 million in cash and assumed liabilities. DBM Global engages in the fabrication and installation of steel structures. Graywolf Industrial provides engineering and fabrication services. Its services include specialty welding, maintenance, civil and mechanical, equipment setting and rigging and fabrication. The firm offers services to the power and refinery industries. The company was founded in 1978 and is headquartered in Owensboro, KY.



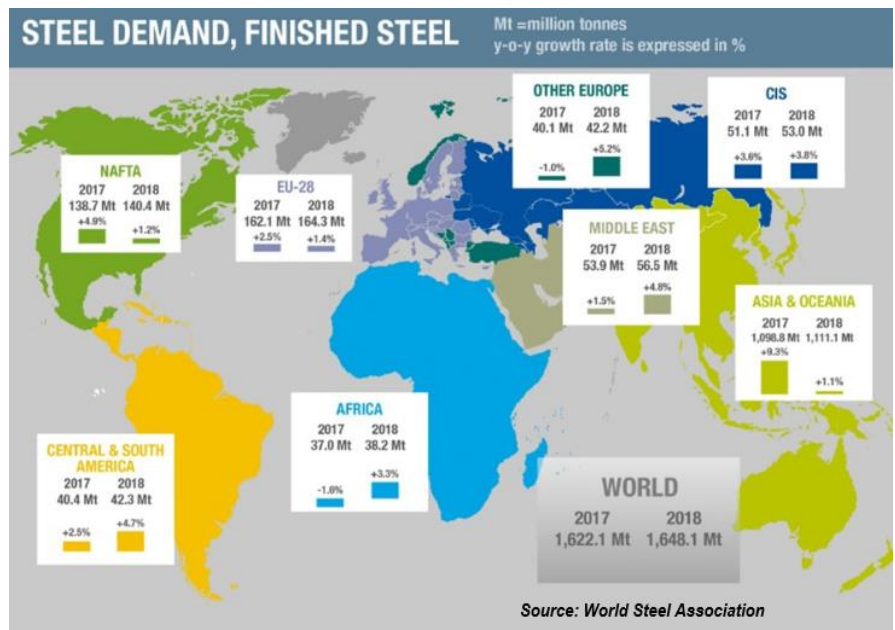
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November 2018 - HCP Management Co. LLC, via its Hall Capital Partners II LP fund, acquired Modineer Co. LLC for an undisclosed amount. HCP Management is a private equity firm located in Oklahoma City, Oklahoma with an additional office in Lake Forest, Illinois. Modineer engages in the manufacturing of metal components through reforming, laser cutting, fabrication, machining, stamping and welding. It serves the defense, automotive, construction & agriculture. The company was founded in 1940 and is headquartered in Nile, MI.

October 2018 - Auxo Investment Partners, LLC acquired an undisclosed majority stake in Prestige Stamping, Inc. for an undisclosed amount. The

acquisition would help expand the operations of Prestige Stamping into the aviation, aerospace, defense and heavy truck sectors. Prestige Stamping manufactures custom engineered stampings for the fastener industry. It offers domestic S.A.E. low carbon washer plain, domestic U.S.S. low carbon washer zinc, domestic hardened S.A.E. grade 8, domestic heavy duty A.A.E. washers, Warren U.S.S. washers hardened and plain and domestic heavy duty U.S.S. washers. The company was founded in 1967 and is headquartered in Warren, MI.

Selected Q1 Closed Transactions	
Target/Issuer	Buyers/Investors
Mississippi Steel Processing LLC	Liberty Steel Products, Inc.
Graywolf Industrial, Inc.	DBM Global, Inc.
Superior Mason Products LLC	Latium USA Trading LLC
L.J. Smith, Inc.	Blue Wolf Capital Partners LLC; Novo Building Products LLC
Midland Metal Manufacturing Co.	Wynnchurch Capital LLC; Midland Metal Manufacturing Co.
Cooling Tower Resources, Inc.	Dorilton Capital Advisors LLC; Midwest Cooling Tower Services LLC
Metal Tronics, Inc.	Ironwood Capital Ltd. ; NSA Industries LLC
Metal Doors & Frame Co.	Walsh Door & Hardware Co.

Industry Update

New orders for US durable goods, a leading demand indicator for fabricated metal products, increased 9.2% in the first eight months of 2018 compared to the same period a year earlier. New orders for fabricated metal products rose 10.7%. Additionally, several key customer industries for fabricated metal products saw significant improvement in new orders, including transportation equipment (11.2%); machinery (6.5%); and electrical equipment, appliances, and components (6.1%). The tax overhaul signed into law in 2017 by President Trump was in part designed to stimulate business investment, and the recent spike in durable goods orders may be a sign that the law is having the desired effect, according to The Wall Street Journal. Capital spending and new durable goods orders may also be rising due to improved investments in the US energy sector amid higher oil prices.

Industry Indicators

- US durable goods manufacturers' shipments of fabricated metal products, an indicator of fabricated metal parts production, rose 9.4% year-to-date in October 2018 compared to the same period in 2017.
- US steel mill product prices, an indicator of commodity steel costs for fabricated metal products manufacturers, rose 18.5% in December 2018 compared to the same month in 2017.

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. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

