



Metals & Metals Processing

Perspective

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Growing Downstream

Downstream acquisitions are underway across the metals value chain as companies diversify into value-added products and services to boost margins and better navigate demand volatility. Public companies are leading the way, aided by surplus liquidity and the need to accelerate growth.

April 2017

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A photograph showing several large, stacked coils of metal, likely aluminum or steel, in an industrial setting. The coils are secured with black straps. The word 'Insider' is overlaid in large, white, sans-serif font across the center of the image.

Insider

The BGL Metals Insider is published by Brown Gibbons Lang & Company, a leading independent investment bank serving middle market companies throughout the U.S. and internationally.



M&A and Capital Markets Activity

- Liquidity continues to be a strong driver of deal flow. Public company cash balances have increased by more than 50.0 percent from two years ago, with acquisitions in focus to generate above-average growth in a slow-growth economy.
- The Metals M&A market has been active, particularly activity involving manufacturers, as companies look to access new growth platforms and higher-margin, value-added products and services. In automotive, the merger of American Axle & Manufacturing and Metaldyne Performance Group headlined deal activity, along with Crestview Partners' acquisition of Accuride and Dana Corp's acquisition of the Michigan operations of U.S. Manufacturing Corporation. Private equity-backed Dynacast International completed three acquisitions over the last 12 months, including Signicast this April, and in 2016, Taurus '80 and Schlieper Druckguss, to expand in precision component manufacturing.
- Consolidation in the tubing market has accelerated over the last six months. Nucor formed new strategic growth platform Nucor Tubular Products with the acquisitions of Independence Tube, Southland Tube, and Republic Conduit as it advances its value-added growth strategy. Zekelman Industries completed buys of American Tube Manufacturing and Western Tube & Conduit.
- Service center activity remains robust. Reliance Steel & Aluminum and Ryerson have been particularly active and consolidating the industry, each completing bolt-on acquisitions during the last 12 months. Reliance picked up Alaska Steel, Best Manufacturing, and Tubular Steel in 2016, and Ryerson added Guy Metals and The Laserflex Corporation in 2017.
- Acquisition multiples continue to remain healthy for high-performing businesses, with recent transactions a barometer. Combined, Nucor's three recent tube acquisitions were valued at approximately 7.0x average EBITDA, indicative of value assigned to highly strategic assets. Metaldyne fetched a multiple of 7.1x LTM EBITDA.
- Lenders remain cautiously optimistic with the view that the metals market is showing signs of recovery from 2015-16 lows. Leverage tolerance is dependent on company performance and liquidity with senior leverage typically capping near 3.0x.





Public Equity Markets

- Macroeconomic indicators continue to support a positive growth trajectory, with themes of tax reform, deregulation, and increased infrastructure spending under the new administration expected to encourage business investment and accelerate economic growth, which is boosting investor confidence. The S&P 500 and DJIA have increased 8.6 percent and 10.5 percent¹, respectively, since the November election.
- Metals stocks have gained, with BGL composite indices showing positive one-year returns, led by Integrated Mills with a 29.2 percent return¹.

¹ As of April 21, 2017.

Operating Highlights

- Steady as it goes is the direction of the U.S. economy with market indicators pointing to extended albeit slow growth, with economists forecasting GDP growth of 2.0 to 3.0 percent in 2017.
- The energy market appears to be recovering from the mid-2016 trough, evidenced by expanding rig count. The U.S. active rig count reached 662 in March 2017, which is up more than 100.0 percent from the May 2016 trough, according to the U.S. Energy Information Administration (EIA). The EIA reported a significant increase in capital expenditures for public E&P companies in 4Q16, citing a 72.0 percent gain year-over-year, marking the largest increase since the first quarter of 2012.¹
- The U.S. metals market has exhibited signs of recovery, with secular trends indicative of pricing stabilization and strengthening demand. Operators speak to an improving demand outlook in the construction and energy markets in 2017 with continued growth in automotive. Diversification is driving growth strategies, illustrated by a continuing shift to higher value-add in the product mix.
- Issues of global overcapacity and imports remain challenges for U.S. producers. Imports are down from peak levels realized in 2014 but remain above historical levels. Year-to-date domestic steel production through April² was 27.7 million net tons, up 3.6 percent from the same period a year ago, at a capacity utilization rate of 74.3 percent (up from 71.6 percent). Year-to-date shipments increased 6.0 percent to 14.9 million net tons in February—up from 14.1 million net tons a year ago.

¹ EIA analysis of capital expenditures for 44 U.S. onshore-focused oil production companies.

² As of April 22, 2017.





Operating Highlights

- Recent trade enforcement measures are expected to benefit the domestic steel industry, which has seen imports surge over the last decade, putting the U.S. at risk of losing its global competitiveness. Steel imports reached a decade-high of 40.2 million metric tons in 2014, representing a 173.4 percent increase from 14.7 million metric tons in 2009—a low point in import volume. Import penetration increased from 22.7 percent to 34.4 percent over the same period.
- 2015 marked a turning point as landmark trade cases cut import supply, helping to stabilize import levels and lower price spreads on metals. Flat-rolled trade cases filed in 2015 targeting hot-rolled, cold-rolled, and coated flat steel products have served to reduce imports by 28 percent, 16 percent, and 8 percent, respectively, in these categories.¹ Overall import volumes have declined steadily, falling to 35.1 million metric tons in 2015, a 12.6 percent decrease from 2014 levels. Steel imports were 29.9 million metric tons in 2016—representing reductions of 14.8 percent and 25.5 percent from 2015 and 2014 levels, respectively. Import penetration declined to 33.8 percent in 2015 and 30.1 percent in 2016.
- The current administration continues to tackle foreign trade abuses with executive orders and tariffs. President Trump signed an executive memorandum last Thursday calling for an investigation under Section 232 of the Trade Expansion Act of 1962, which will examine whether foreign imports present a national security risk. Several U.S. steel company executives were present for the signing. Thomas Gibson, CEO of the American Iron and Steel Institute (AISI), commented: “The Administration launching this investigation is an impactful way to help address the serious threat posed by these unfair foreign trade practices, and we applaud this bold action. The domestic steel industry is the backbone of our manufacturing sector, and our continued ability to meet our national security needs is dependent on the industry remaining competitive in the global marketplace. We stand ready to work with the Administration on this initiative.” “It is about making sure that we have a level-playing field in which to compete,” remarked John Ferriola, chief executive officer of Nucor Corporation, in a recent *Forbes* interview, stressing the need for rigorous enforcement of existing trade laws and circumvention for abuses. “We support free trade as long as it’s free and fair trade.”
- Steel company stocks reacted favorably to Thursday’s announcement. Nucor’s stock price increased 4.7 percent at the end of trading on Thursday. Share prices of Integrated Mills rose 5.8 percent.
- Any positive momentum generated from policy changes governing international trade and increased infrastructure spending is expected to be stimulative to demand.

¹ Change from 2015 to 2016. AK Steel.

Sources: U.S. Census Bureau, International Trade Administration, American Iron and Steel Institute, American Metal Market.



For more information on how BGL’s Metals & Metals Processing Practice can assist your company, please contact:

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Delivering Results to the Global Middle Market





Growing Downstream

Acquisitions are underway across the metals value chain. Companies are reducing exposure to commodity-oriented products and markets and shifting resources toward value-added products and services where quality and differentiation translate into higher margins and profitable growth. The move downstream is another step in portfolio diversification to better navigate demand volatility across business cycles.

Nucor's launch of strategic growth platform Nucor Tubular Products is illustrative of this trend. The foundational assets of the new platform—the acquisitions of Independence Tube Corporation (ITC), Southland Tube, and Republic Conduit—together amassing tubular shipments of roughly 1 million tons, immediately established a leadership position in the HSS steel tube and steel conduit markets and further extended Nucor's product range and customer value proposition in the construction and infrastructure markets. In addition to advancing Nucor's strategy to grow its value-added product mix, the acquisitions create a valuable downstream consumer for its traditional sheet and coil products coming out of the mill. Nucor expects the acquisitions to increase steel mill shipments to its downstream businesses by 20.0 percent—up from 8.0 percent in 2006. Nucor's balance sheet strength should allow it to take advantage of industry fragmentation to pursue additional acquisitions.

Examples of the industry's downstream migration are numerous:

Zekelman Industries' acquisition pursuit underscores its “continued focus on being the best value-added manufacturer in the world,” said CEO Barry Zekelman. In February, Zekelman completed the acquisitions of American Tube Manufacturing and Western Tube & Conduit to grow its footprint in the southeastern and western U.S., establishing a coast-to-coast presence. Zekelman's annual production volume in tubular products now exceeds 2.5 million tons.

Steel Dynamics' acquisition of Vulcan Threaded Products furthers its stated goal to expand its downstream business opportunities. Steel Dynamics identifies Vulcan as the largest U.S. producer of threaded rod products, representing a new market for the company. Vulcan also produces high margin cold-drawn and heat-treated bar products for industrial markets and OEMs, markets where Steel Dynamics has either no presence or only limited exposure.

The deal marks the first of potentially more acquisitions for Steel Dynamics; prior to Vulcan, its last acquisition was Severstal Columbus in 2014. In the company's 4Q16 earnings call, CFO Theresa Wagler indicated the existing capital structure is supportive of external growth, with “optionality” to accommodate a large scale transaction (similar to Columbus) or “several meaningful medium-sized transactions”. CEO Mark Millett highlighted key focus areas for the company, citing expansion into higher-margin, downstream products and pull-through volume for its mills.

“The brilliance of this strategy is that they (Nucor) are controlling the end markets for their product. They can pull more steel through their furnaces that then allows them to make high-strength steels without losing furnace efficiencies. I believe part of Nucor's thinking is ‘we want to keep that furnace running full’. It was a consideration, but not the only factor.”

*Vince Pappalardo
Event Speaker
AMM & MBR Steel Tube &
Pipe Conference
March 2017*





Growing Downstream

Ryerson has executed two acquisitions already in 2017—its first transactions since 2015—and both value-add plays: Guy Metals in February, to boost its stainless steel processing capacity, and Laserflex in January, adding laser fabrication. Ryerson CEO Edward Lehner spoke of a “healthy bolt-on acquisition pipeline” in the company’s 3Q16 earnings call, indicating the desire to act on opportunities “that really reflect value-add further away from the commodity phase.”

Reliance Steel & Aluminum completed three bolt-on acquisitions in 2016—Alaska Steel, Best Manufacturing, and Tubular Steel—in line with its stated “acquisition strategy of growth and specialty and high-margin products and services”, said CEO Gregg Mollins in the company’s 4Q16 earnings call. The deals brought high-margin, value-added processing capabilities (Best Manufacturing), a new market entry (Alaska Steel), and a high-return, product diversification play (Tubular Steel). Mollins spoke of an active acquisition pipeline, with a focus on “well-run companies that complement our diversification strategy.” Reliance has completed 62 acquisitions since its IPO in 1994.

Acquisitive growth is helping facilitate Dynacast’s \$1.0 billion-plus revenue goal, a target the company is seeking to achieve over the next two to three years. With backing from private equity sponsors Partners Group and Kenner and Company, the company is pursuing an aggressive expansion strategy to advance its manufacturing know-how and expand in precision manufacturing and complex precision components. The April acquisition of Signicast is the fourth add-on under their ownership, following the 2016 acquisitions of Taurus ’80, an Italian precision zinc die casting company with additional locations in the U.S. and Tunisia, and Schlieper Druckguss, an Austrian producer of zinc die castings, and in 2015, Tek-Cast/ MH Machining Group, which expanded its capabilities in zinc and aluminum castings.



Liquidity will be a key driver of acquisition activity. Public company cash balances have increased by more than 50.0 percent from two years ago, with more than \$6.0 billion sitting idle on corporate balance sheets. Metals companies are looking to leverage their buying power and synergies in search of accretive acquisitions to offset meager organic growth.

“Strategic” private equity funds bring considerable dry powder, and with their operating expertise, represent compelling buyers in their search for attractive buy-and-build platforms. The private equity capital overhang stood at more than \$750 billion in December 2016.

Vince Pappalardo heads BGL’s Metals & Metals Processing Practice.

“Companies are saying ‘I’m big enough that I’m going to grow with the GDP growth rate. How am I going to show further growth for my shareholders?’ It’s acquisitions. I’ve had at least half a dozen large corporates call me up. ‘Vince, we have \$300, \$400, maybe \$500 million in cash available to us to buy companies. Where can we go, what new platforms can we find?’”

*Vince Pappalardo
Interview with
American Metal Market
March 2017*



"This acquisition is another important step in our long-term strategy to increase the number of value-added products we can offer our customers. It also adds to our portfolio another growth platform for our team to use to grow our company."

John Ferriola, Chairman and CEO
Nucor Corporation

BGL's Metals & Metals Processing team served as the exclusive financial advisor to Independence Tube Corporation (ITC) in connection with its sale to Nucor Corporation (NYSE: NUE) for \$435 million.

ITC is a leading manufacturer of hollow steel tubing used in a broad array of structural and mechanical applications including nonresidential construction, infrastructure, and agricultural and construction equipment end markets. The company is an industry leader in its primary product line, hollow structural section (HSS) steel tubing, holding the second largest market share nationally.

The addition of ITC will establish a new growth platform for Nucor, expanding its value-added product offering.

The acquisition will also allow Nucor to offer a wider selection of products to its fabricator and service center customers and strengthen its presence in the nonresidential construction market.



— acquired by —





SERVICE CENTERS

In February 2017, **Ryerson Holding Corporation** (NYSE: RYI) completed the acquisition of **Guy Metals, Inc.** The Hammond, Wisconsin-based service center processes stainless and nickel alloy products, including its trademarked Pit Free Dairy and Super4 finishes used in food, dairy, pharmaceutical and beverage applications. The company has annual revenue of approximately \$35 million. The acquisition advances Ryerson's strategy to expand its value-added processing capabilities. "Guy Metals has built a hard-earned and well-deserved reputation as an innovator in stainless steel processing and finishing," said Ryerson chief executive officer Eddie Lehner. "The acquisition of Guy Metals adds a valuable dimension to our strategic objective of further strengthening our stainless steel franchise through the offering of a unique portfolio of highly differentiated, value-added products that can scale across our footprint while meaningfully enhancing the customer experience."

The transaction follows the January 2017 purchase of **The Laserflex Corporation**, a Midwest-based metal fabricator specializing in laser fabrication metal processing and welding. The company operates facilities in Columbus, Ohio and Wellford, South Carolina and has annual revenue of approximately \$25 million. Commenting on the acquisition, Lehner said, "Laserflex and Ryerson share a passion for creating great customer experiences in the advanced fabrication of metal parts for a wide variety of original equipment manufacturers. Laserflex is an integral fit to our strategy focused around speed, scale, value-add, culture and analytics."

In December 2016, **Russel Metals Inc.** (TSX:RUS) completed the acquisition of **Jackson Pipe & Steel**, a distributor with value-add capabilities based out of Texarkana, Texas. The acquisition will complement an existing Russel facility in Hope, Arkansas and increase the company's market share in the southwestern U.S., according to Russel COO John Reid: "The addition...will...enable us to enhance our value-added services plus increase market share in Texas, Arkansas, Oklahoma, and Louisiana, the areas previously serviced by Jackson Pipe."

In August 2016, **Union Partners** completed the acquisition of **Berg Steel**, a Royal Oak, Michigan-based service center with a 46-year operating history. Berg Steel will complement Union Partners' existing steel service center holdings, including Lee Steel which operates facilities across Michigan. "This acquisition is a perfect complement to our Michigan infrastructure in Grand Rapids, Gibraltar, and Farmington Hills; and we are excited to welcome Berg Steel to our family of companies" said Union Partners co-founder Paul Douglass. Union Partners' other portfolio holdings include Mapes & Sprowl Steel LLC, Chicago Steel Holdings LLC, JIT Steel Services LLC, JIT Steel Transport, Cortran LLC, and Opus Metals LLC.

Reliance Steel & Aluminum Co. (NYSE: RS) completed three acquisitions in 2016: **Alaska Steel Company** in August; **Best Manufacturing, Inc.** in April, and **Tubular Steel, Inc.** in January.

Alaska Steel Company (ASC) is a full-line metal distributor with three facilities in Anchorage, Fairbanks, and Kenai. The company provides steel, aluminum, stainless, and specialty metals and related processing services including shearing, sawing, plasma and flame cutting to diverse industries including infrastructure, energy, and mining. ASC reported net sales of approximately \$33 million for the year ended December 31, 2015. "Alaska Steel represents Reliance's entry into the important and significant Alaska market and furthers our geographic, customer, and product diversification," commented Gregg Mollins, chief executive officer of Reliance.

Arkansas-based **Best Manufacturing** is a custom fabricator of steel and aluminum products serving core markets of trucking, agriculture, and energy. Precision fabrication services including laser cutting, shearing, CNC punching, CNC forming and rolling, as well as welding, assembly, painting, inventory management, and engineering expertise. Best reported net sales of approximately \$20 million for the year ended December 31, 2015. Commenting on the acquisition, Mollins highlighted Best's quality reputation as a one-stop supplier in the marketplace, saying, "Best Manufacturing complements Reliance's existing service center network extremely well given its specialty high margin products and value-added processing capabilities coupled with its strong focus on customer service."



Missouri-based **Tubular Steel** is a distributor and processor of carbon, alloy, and stainless steel pipe, tubing, and bar products with seven service center locations across the United States. The company reported net sales of \$200 million in 2014.

PIPE AND TUBE

Zekelman Industries completed two acquisitions in February 2017—Birmingham, Alabama-based **American Tube Manufacturing** and **Western Tube & Conduit Corporation** (WTC) of Long Beach, California—with the announcements made over the span of one week.

The acquisition of American Tube Manufacturing will expand Zekelman's presence in the structural tubing market in the southeastern U.S. American Tube will retain its brand and will operate as part of the Atlas Tube division. "This merger gives our customers access to an even greater portfolio of HSS products, along with a regional footprint that will allow for a higher level of personal attention and customer service," commented Thomas Muth, president of Atlas Tube's HSS and piling division.

Zekelman's Wheatland Tube division acquired **WTC** from Japan's **Nippon Steel & Sumitomo Metal Corporation** (TSE:5401). The acquisition extends Zekelman's footprint into the western U.S. establishing a coast-to-coast presence, reported *AMM*. The maker of carbon steel conduit products will expand Zekelman's footprint in the electrical, fence, and mechanical tubing markets in the western U.S. and Canada. WTC has an annual production capacity of 240,000 tons.

Zekelman will retain the Western Tube brand which is additive to Wheatland Tube, both offering complementary products and services, according to a company statement. "The acquisition complements our long-term strategies of continued growth in the tubular product market," said Jim Hays, president of Zekelman's electrical, fence, and mechanical product divisions. According to Barry Zekelman, CEO of Zekelman Industries, "The investment in Western Tube & Conduit Corporation and its people is another step in Zekelman Industries' continued focus on

being the best value-added manufacturer in the world." Zekelman's other operating divisions which serve the North American pipe and tube market include Atlas Tube, Picoma, Energex Tube, Sharon Tube, Wheatland Tube, and Z Modular.

Nucor Corporation (NYSE:NUE) completed the acquisitions of **Independence Tube Corporation** in October 2016 and **Southland Tube, Inc.** in January 2017, the number two and three largest players in the hollow structural section (HSS) steel tubing market, building a leadership position and platform for growth (Nucor Tubular Products) to advance its value-add strategy. Combined, the two businesses had 2016 shipments totaling about 840,000 tons from five facilities located in Alabama and Illinois. The acquisitions are expected to increase steel mill shipments to Nucor's downstream businesses by 20.0 percent—up from 8.0 percent in 2006—creating a valuable downstream consumer for its sheet steel mills.

Southland Tube was purchased for \$130 million or approximately 8x average EBITDA over the 2011-2016 period. **Independence Tube** was acquired for \$435 million, or approximately 6x average EBITDA over the 2013-2015 period. The buys strengthen the company's presence in the nonresidential construction market.

Also in January 2017, Nucor acquired **Republic Conduit** from **Tenaris S.A.** (BIT:TEN) for \$335 million, or approximately 6x the average of its 2015 and projected 2016 EBITDA. Republic Conduit produces steel electrical conduit. 2016 shipments totaled approximately 150,000 tons from two facilities in Kentucky and Georgia.

In March 2017, **Synalloy Corporation** (NasdaqGM:SYNL), through its subsidiary Bristol Metals, purchased the **Stainless Steel Pipe and Tube operations** from **Marcegaglia USA** for \$14.95 million. The transaction excludes galvanized product and ornamental tubing products. The combined business, operating as Bristol Metals, will comprise two facilities with annual capacity in excess of 70 million pounds, boosting Synalloy's share of the North American welded stainless steel pipe and mechanical tube market to nearly 40.0 percent, according to a company statement.



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"It has been Bristol Metals' ultimate goal to become the preeminent manufacturer of stainless steel pipe and tube in North America," said Synalloy President Kyle Pennington, commenting on the transaction. "The acquisition of Marcegaglia USA's laser and TIG mills enhances our ongoing business with additional capacity and technological advantages. Bristol Metals, LLC will have the most extensive product line and capacity in the industry. We can now offer a full range of tubing products to support our new heavy wall capabilities and traditional welded pipe markets. We are well positioned compared to other competitors supplying our markets."

In August 2016, **Steel and Pipe Supply Company**, a subsidiary of **SPS Companies (SPS)**, acquired **Tubular USA, Inc.**, gaining entry to the galvanized steel market. Founded in 1993 and based in St. Louis, Missouri, Tubular USA fabricates in-line galvanized pipe and tubular products, specializing in corrosive market applications. The company serves diverse industries including the agricultural, recreational, structural materials, transportation, and solar power markets. Tubular USA had annual sales of approximately \$85 million at the time of the acquisition.

Tubular USA's footprint overlaps with that of SPS and stretches into Colorado, Wisconsin, Illinois, and Indiana. Company founders Mark and Carl Meiners will join SPS in their current positions overseeing Tubular's operations. SPS is based in Manhattan, Kansas and offers steel distribution and flat-rolled steel processing, as well as pipe and tube manufacturing.

In July 2016, **voestalpine Rotec GmbH**, the Metal Forming Division of the **voestalpine Group (WBAG:VOE)** acquired **Summo Corporation**, a manufacturer of tubular components and sub-assemblies for customers in the automotive industry in North America. The acquisition will continue to drive voestalpine's activities in the NAFTA region by expanding its presence in the automotive safety components sector, and more specifically in the area of passive safety parts, bringing expertise in components for airbags, seatbelt systems, and seating systems. Summo is headquartered in Burlington, Canada where it has a production facility, along with one in Monterrey, Mexico. The company employs about 300 people and has sales of approximately EUR 40 million.

"Safety will continue to enjoy utmost priority in automotive construction in the future. For voestalpine this acquisition chiefly represents a strengthening of the product portfolio and greater market share for passive safety and comfort applications in the NAFTA region," said Peter Schwab, Member of the Management Board of voestalpine AG and Head of the Metal Forming Division. The Metal Forming Division reported sales of EUR 2.2 billion and EBITDA of EUR 290 million during 2015/16.

FOUNDRIES

In December 2016, **Bharat Forge Limited (BSE:500493)**, through its wholly-owned subsidiary Bharat Forge America, completed the acquisition of **Walker Forge Tennessee LLC (WFT)** in a \$14 million transaction. WFT produces complex steel and high alloy steel engine and chassis components for the automotive and industrial sectors. Revenue were projected to reach \$28 million in 2016. The acquisition expands Bharat Forge's geographic and product reach, increasing its penetration in North America and broadening its product offering into the passenger car and commercial vehicle segments, as well as industrial sectors such as construction and mining and allied industries, according to a company statement. Commenting on the acquisition, Baba Kalyani, Chairman and Managing Director of Bharat Forge Ltd., said: "The acquisition of Walker Forge Tennessee creates a strategic manufacturing footprint in North America to leverage our existing customer relationships while simultaneously enabling the company to address new end market segments and broaden the product portfolio."

In September 2016, **Grede Holdings**, a subsidiary of **MetalDyne Performance Group**, acquired **Brillion Iron Works** for \$14 million in cash. Brillion Iron Works produces gray iron and ductile iron castings for customers in the light and commercial vehicle, agricultural, construction and mining equipment, and other industrial markets.

MANUFACTURERS

In April 2017, **Dynacast International** acquired investment casting manufacturer **Signicast LLC**, a move to advance its strategy to expand in precision manufacturing and complex precision components. Based in Hartford, Wisconsin, Signicast manufactures custom precision metal



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components and commercial steel investment castings, and provides value-added services such as machining, heat treating, painting, and assembly. The company employs more than 800 people from eight facilities in Hartford and Milwaukee, Wisconsin. Signicast will operate as a separate division of Dynacast. With the acquisition, Dynacast expanded its workforce to 9,500 employees in 27 locations.

Dynacast CEO Simon Newman told *AMM* in an interview, “Growth in precision manufacturing and complex precision components is our pursuit, and Signicast fits into our growth strategy and takes Dynacast close to a \$1-billion-in-revenue company. Our goal is to take Signicast, a U.S.-centric business, and internationalize it over the next few years. We want to transfer the know-how of Signicast to other areas.” China and Germany are targets, Newman added, saying, “The market exists in both of these locations for growth, and we’re looking to aggressively grow in these areas.”

Dynacast is backed by **Partners Group** and **Kenner and Company**.

In March 2017, **Dana Incorporated** (NYSE:DAN) acquired the **axle housing and driveshaft manufacturing assets** from **U.S. Manufacturing Corporation** (USM) in a \$100 million all-cash transaction. The operations are located in Warren, Michigan. USM is already a supplier to the company, with 60.0 percent of sales to Dana. The vertical play secures access to USM’s proprietary tube manufacturing process and intellectual property on thin wall axle tubes and hollow axle shafts to further advance innovation in light weighting and fuel efficient technologies. “The acquisition of USM’s Warren operation is a perfect fit with Dana’s strategy to manufacture in close geographic proximity to our customers,” said Dana CEO James Kamsickas. “This plant will produce products for several of Dana’s most strategic customers within the region, continuing our company’s sharp focus on customer centricity and helping automakers achieve their sustainability and fuel-efficiency goals.”

In November 2016, **Crestview Partners** acquired **Accuride Corporation** in a take private transaction valued at \$435.8 million. Accuride produces components and assemblies for customers in the North American and

European commercial vehicle markets. Products include commercial vehicle wheels, wheel-end components and assemblies, truck body and chassis parts, and ductile and gray iron castings marketed under recognized brands Accuride, Gunite, Imperial, and Brillion. The company is headquartered in Evansville, Indiana, and has operations in United States, Canada, Mexico, and Italy. Commenting on the new partnership, Accuride CEO Rick Dauch, said, “Today marks the start of a new and exciting chapter for our storied company. As a stand-alone business within Crestview’s portfolio of companies, Accuride will serve as a platform for further growth and consolidation in the global wheels and wheel-end sectors.” **Transaction Multiples: .7x Revenue and 6.6x EBITDA**

In November 2016, **American Axle & Manufacturing** (NYSE:AXL) announced it was acquiring **Metaldyne Performance Group** (NYSE:MPG) in a transaction valued at \$3.2 billion. The company manufactures complex metal-formed components for engine, transmission, driveline, and suspension applications for the automotive, commercial, and industrial markets. Targeted annual run-rate cost reduction synergies are estimated at between \$100 to \$120 million by 2018.

Calling the acquisition “transformational”, AAM CEO David Dauch pointed to key deal synergies of increased scale and product line, customer, and end market diversification: “MPG’s expertise in complex, highly-engineered powertrain components and its global footprint will be tremendous assets to AAM. We are excited about the powerful industrial logic in this combination that will allow us to create additional value for our customers and other key stakeholders.” The transaction is expected to close in the first half of 2017. Private equity firm American Securities will retain a 23.0 percent equity stake in the combined company post-transaction. **Transaction Multiples: 1.1x Revenue and 7.1x EBITDA.**

In February 2017, **Bonnell Aluminum Inc.**, a division of **Tredegar Corporation** (NYSE:TG), acquired aluminum extruder **Futura Industries** for \$92 million. The Clearfield, Utah-based company produces aluminum extrusions for diverse markets and applications, including branded flooring trims and OEM components for truck grills, solar panels, fitness equipment, among others. “The addition of Futura to our aluminum extrusions business strengthens our



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on all fronts. Their strong market position in value-added segments in the western U.S. complements Bonnell very nicely,” Tredegar chief executive officer John Gottwald said in a statement. **Transaction Multiple: 6.8x EBITDA**

In January 2017, **Speyside Equity** acquired **Midland Stamping & Fabricating** from **Advanced Alloy Processing**, a portfolio company of **Peak Rock Capital**. The Schiller Park, Illinois-based contract metal stamper and fabricator provides components to major tier one manufacturers in the automotive, appliance, industrial, trailer, and cookware industries. The company’s extensive manufacturing capabilities include high tonnage stamping presses, plasma cutting, laser cutting, turret presses, punch press, 3-axis vertical machining center, drill press, and automated polishing and welding equipment.

In January 2017, **Industrial Opportunity Partners (IOP)** acquired **Union Corrugating Company** in partnership with management. **PNC Business Credit** and **Patriot Capital** provided financing for the acquisition. Based in Fayetteville, North Carolina, Union manufactures metal roofing systems and roofing components used in residential, commercial, and post frame/agricultural applications. The company’s manufacturing footprint consists of 11 manufacturing and distribution facilities located in the Southeast, Mid-Atlantic and Midwest. IOP Operating Principal Dave Mackin commented on the acquisition: “I look forward to supporting the company’s growth plans with a focus on geographical expansion and continued penetration of Union’s served markets.

In January 2017, **Pensmore Reinforcement Technologies** acquired **Helix Steel**, a manufacturer of twisted steel micro rebar used for concrete reinforcement in a variety of markets including Commercial, Industrial, Precast, Residential, Underground, and Infrastructure and in applications ranging from structural, temperature and shrinkage, seismic and impact and blast resistance. The acquisition is expected to accelerate Helix Steel’s global expansion, according to a press release announcing the transaction. Pensmore has been an investor in Helix Steel since 2012.

In December 2016, **Speyside Equity** acquired **Western Industries** from **Graham Partners**. The acquisition includes Western’s Engineered Products Group, a manufacturer of

finished goods, fabricated metal components, and sub-assemblies for OEM customers in diverse end markets, and its Plastic Products Group, which manufactures large blow-molded OEM and consumer packaged products. The company is a full-service partner offering integrated manufacturing capabilities, from metal stamping, metal fabrication, and welding to paint, metal finishing, and assembly.

In October 2016, **Nelson Global Products** completed the acquisition of **Tube Specialties**, a manufacturer of tube forming products and components used in the on-road truck, bus, heavy machine and construction, agriculture, mining, and electric power markets. Products include exhaust tubes, brake lines, radiator tubes, CAC tubes, air intake tubes, rods, and laser cut components. With the acquisition, NGP will expand its product offering, capacity, and global reach. Commenting on the acquisition, Sergio Carvalho, CEO of Nelson Global Products, said: “This will strengthen our current manufacturing footprint by allowing us to be strategically located near our customers to provide an improved value proposition. It enables the combined company to place greater emphasis and resources on products that are a critical part of our growth strategy. Nelson Global Products is a portfolio company of **Wind Point Partners**, which the sponsor formed in 2010. Tube Specialties is the tenth add-on acquisition for the platform.

In October 2016, **Porter’s Group** completed the acquisition of **KARLEE**, a provider of precision sheet metal and machined components for the communications, defense, aerospace, commercial goods, and medical equipment industries. With the addition of KARLEE’s 200,000-square-foot facility in Garland, Texas, Porter’s national manufacturing footprint totals more than 600,000 square feet. Porter’s Group is a portfolio company of **Resilience Capital Partners**, which it acquired in September 2015. Karlee is the first add-on acquisition under its Resilience’s ownership.

In August 2016, **Steel Dynamics, Inc. (NasdaqGS: STLD)** completed the acquisition of **Vulcan Threaded Products** in an all-cash transaction valued at \$114 million. Vulcan manufactures threaded rod products and produces cold drawn and heat treated bar. Commenting on the acquisition, Mark Millett, CEO of Steel Dynamics, said: “The

Sources: S&P Capital IQ, PitchBook, Equity Research, Company Filings, AMM, Recycling Today, public data.



Metals Insider Mergers & Acquisitions Metals M&A Activity

successful completion of the Vulcan acquisition represents a step towards one of our growth objectives, the pursuit of higher-margin downstream business opportunities that utilize our steel products in their manufacturing processes." **Transaction Multiple: 5.0x EBITDA**

In August 2016, **The Schebler Company** acquired **East Moline Metal Products**, a metal fabricator with core competencies in laser cutting, stamping, forming, welding, and assembly. With the acquisition, Schebler has expanded its tool and die design/build capabilities and can now perform stamping operations. Assets acquired include multiple stamping presses ranging from 45- to 200-ton, machining systems, tooling, and other related fabrication equipment.

METALS RECYCLING

In January 2017, **Commercial Metals Company** (NYSE:CMC), through subsidiary Owen Steel Company, signed a definitive agreement to acquire **seven recycling facilities** from **OmniSource Corporation**, a wholly owned subsidiary of **Steel Dynamics, Inc.** (NasdaqGS:STLD). The facilities are located in the southeastern U.S. and process ferrous and non-ferrous scrap throughout the region, according to a CMC press release announcing the transaction. "The signing of the asset purchase agreement for the acquisition of these facilities continues CMC's focus on supporting our mill operations with a reliable, low cost source of raw material. These locations will support our Cayce, South Carolina minimill and we expect to realize synergies with our existing operations in the region," commented Tracy Porter, executive vice president of CMC Operations.

In January 2017, **Metro Group** deepened its footprint in the Northwest with the acquisition of **North American Recycling**, a full-service processor of ferrous and nonferrous scrap specializing in industrial and commercial markets. The company serves southwestern Idaho and eastern Oregon. Metro Group has eight facilities throughout Utah, Nevada, and Idaho and a trading office in Missouri, reported *Recycling Today*.

In December 2016, **Atlas Metal and Iron Corp.** acquired **two Colorado recycling facilities** in Aurora and Colorado Springs from **Wise Recycling**. The acquisition strengthens

Atlas's retail business in the Colorado area and allows the company to "service more of the domestic market," said Atlas CEO Mike Rosen, in an interview with *Recycling Today*. The facilities expanded their services from used beverage cans to the handling of ferrous and nonferrous metals, reported *Recycling Today*.

In November 2016, **Allmetal Recycling** acquired **S.O.S. Metals**, a metals recycler specializing in processing aluminum, titanium, and other metal aerospace products. The acquisition strengthens the Allmetal's position in the aerospace alloy market and bolsters its presence in the Midwest.

In October 2016, **Alter Trading Corporation** acquired Rockford, Illinois-based metals recycler **Behr Iron & Metal**. Behr expands Alter's footprint in the Midwest, adding nine facilities in Illinois, Iowa, and Wisconsin, including three shredding operations and a specialty metals operation, reported *Recycling Today*. The acquisition represents a "significant strategic addition to Alter," Alter COO Jay Robinovitz told *Recycling Today*, "Their geographic footprint, processing capabilities, and customer base all dovetail well with Alter's existing operations. We look forward to their continued success as part of Alter." Alter CEO Rob Goldstein, also commented: "Behr, like Alter, has been an industry leader in the scrap metal recycling industry for more than 100 years."

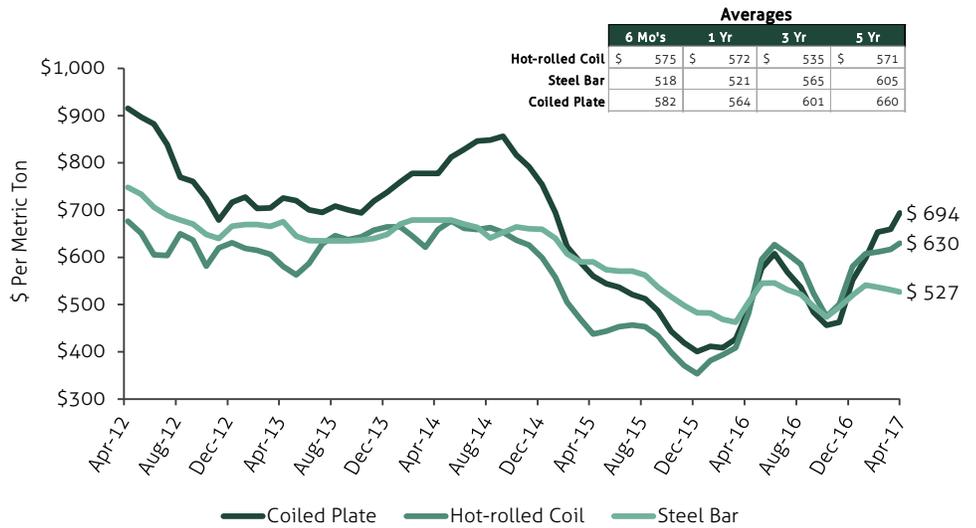
In August 2016, **Steel Dynamics, Inc.** (NasdaqGS:STLD) purchased several **scrap recycling facilities in Tennessee and Mississippi** from **Sims Metal Management Limited** (ASX:SGM). The acquisition expands STLD's geographic reach by supporting its Columbus Flat Roll Division to achieve greater raw material self-sufficiency in the region.

In July 2016, **AMG Resources Corporation** acquired a **50.0 percent interest in Allegheny Raw Materials LLC** (ARM). The Pittsburgh-based recycler specializes in stainless steel, alloys, and other specialty scrap metal products. The addition of ARM's five facilities in Western Pennsylvania expand AMG's operations to 17 scrap processing facilities and 17 commercial offices in the United States and United Kingdom.

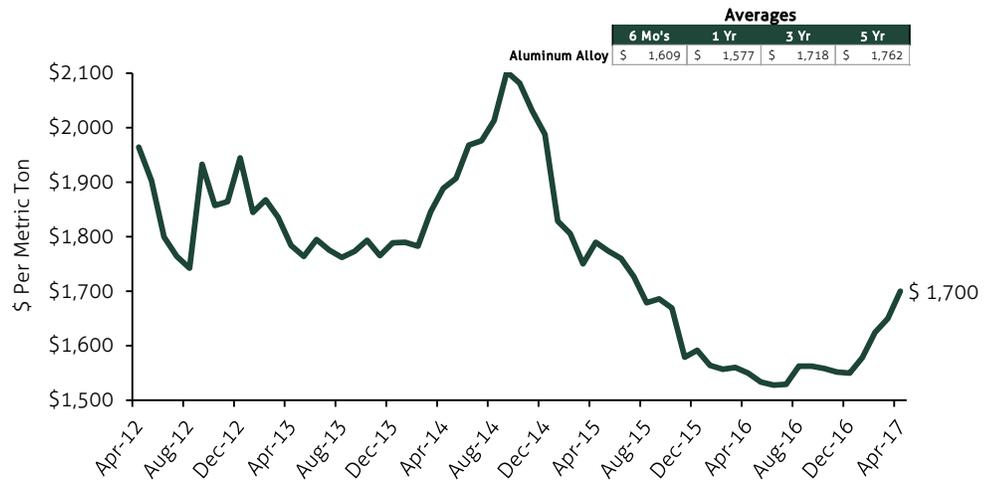


Metals Insider Market Monitor

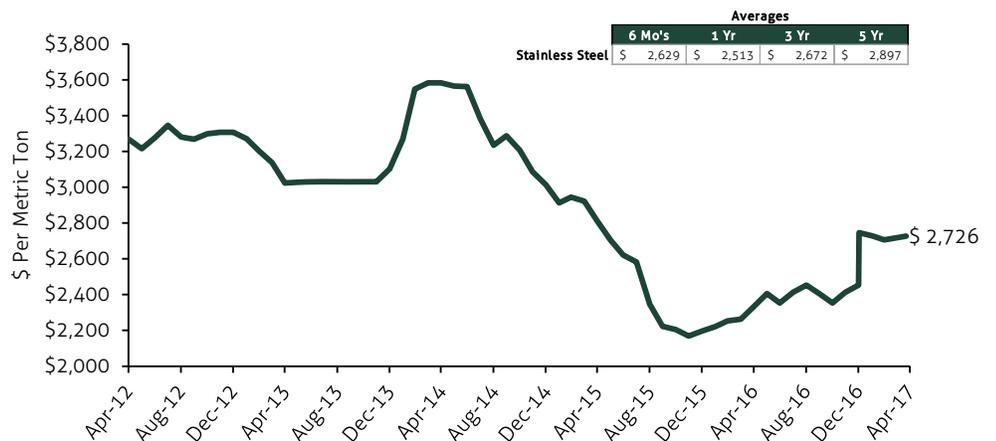
Hot-rolled Coil, Steel Bar, and Coiled Plate



Aluminum Alloy LME



Stainless Steel Bar



Source: AMM.



Metals Insider Industry Valuations

Relative Valuation Trends

(\$ in millions, except per share data)

Company	Price per Share at 4/21/17	Market Value	Enterprise Value ^(a)	LTM		LTM EBITDA Margin, %	Rev 3-Yr CAGR ^(b)	Enterprise Value /			Net Debt / EBITDA
				Revenue	EBITDA			LTM EBITDA	CY2017	CY2018	
Service Centers											
Reliance Steel & Aluminum Co.	\$ 76.94	\$ 5,607	\$ 7,444	\$ 8,613	\$ 799	9.3%	(2.3%)	9.3x	8.2x	7.6x	2.3x
Russel Metals Inc.	19.46	1,202	1,313	1,920	92	4.8%	(6.8%)	14.3x	9.7x	8.4x	1.2x
Ryerson Holding Corporation	12.70	472	1,356	2,860	177	6.2%	(6.2%)	7.7x	5.9x	5.6x	5.0x
Olympic Steel, Inc.	18.51	203	367	1,055	24	2.3%	(5.8%)	15.1x	7.4x	6.2x	6.8x
Mean							5.6%	11.6x	7.8x	7.0x	3.8x
Median							5.5%	11.8x	7.8x	6.9x	3.6x
Integrated Mills											
Nucor Corporation	\$ 60.00	\$ 19,140	\$ 22,204	\$ 17,308	\$ 2,539	14.7%	(5.2%)	8.7x	6.9x	6.9x	1.1x
Steel Dynamics, Inc.	35.37	8,573	9,922	8,404	1,361	16.2%	1.8%	7.3x	6.2x	6.3x	1.0x
United States Steel Corporation	30.42	5,302	6,819	10,261	385	3.8%	(16.2%)	17.7x	5.2x	4.8x	3.9x
Commercial Metals Company	18.46	2,137	2,806	4,661	302	6.5%	(10.0%)	9.3x	7.6x	5.4x	2.2x
AK Steel Holding Corporation	6.72	2,115	4,122	5,883	603	10.2%	1.8%	6.8x	7.0x	6.3x	2.7x
Mean							10.3%	10.0x	6.6x	5.9x	2.2x
Median							10.2%	8.7x	6.9x	6.3x	2.2x
Specialty Metals											
Allegheny Technologies Incorporated	\$ 17.10	\$ 1,861	\$ 3,598	\$ 3,135	\$ 97	3.1%	(8.1%)	NM	8.9x	7.2x	16.9x
Carpenter Technology Corporation	36.57	1,709	2,315	1,730	196	11.3%	(7.2%)	11.8x	8.7x	7.2x	3.1x
Haynes International, Inc.	38.43	481	426	405	24	5.9%	(5.6%)	18.0x	7.0x	5.3x	NA
Universal Stainless & Alloy Products, Inc.	17.09	128	201	154	13	8.2%	(5.1%)	15.8x	8.1x	7.0x	5.7x
Mean							7.1%	15.2x	8.2x	6.7x	8.6x
Median							7.0%	15.8x	8.4x	7.1x	5.7x
Scrap											
Schnitzer Steel Industries, Inc.	\$ 18.75	\$ 493	\$ 697	\$ 1,459	\$ 89	6.1%	(19.7%)	7.9x	6.7x	5.9x	2.2x
Sims Metal Management Limited	8.96	1,770	1,546	3,351	135	4.0%	(13.5%)	11.5x	6.6x	6.0x	NA
Industrial Services of America, Inc.	1.16	9	15	37	(1)	(2.1%)	(35.6%)	NM	NM	NM	NA
Mean							2.7%	NM	6.6x	6.0x	2.2x
Median							4.0%	NM	6.6x	6.0x	2.2x
Global Metals											
ArcelorMittal	\$ 7.64	\$ 23,361	\$ 36,724	\$ 56,791	\$ 5,820	10.2%	(10.6%)	6.3x	4.7x	4.7x	1.9x
ThyssenKrupp AG	22.96	12,995	19,287	42,016	2,168	5.2%	0.6%	8.9x	6.2x	5.6x	2.6x
Tata Steel Limited	6.97	6,770	18,958	17,481	1,672	9.6%	(4.5%)	11.3x	7.4x	6.8x	7.3x
Ternium S.A.	25.15	4,937	6,748	7,224	1,515	21.0%	(5.4%)	4.5x	4.4x	4.2x	0.7x
SSAB AB	4.25	3,811	5,987	6,508	632	9.7%	(7.7%)	9.5x	7.9x	7.4x	3.4x
Mean							11.1%	8.1x	6.1x	5.7x	3.2x
Median							9.7%	8.9x	6.2x	5.6x	2.6x
Total Mean							7.9%	10.6x	7.0x	6.2x	3.9x
Total Median							7.4%	9.3x	7.0x	6.3x	2.6x

NOTE: As of April 21, 2017.

(a) Enterprise value equals market value plus total debt, preferred stock, and minority interest, less cash.

(b) CAGR based on results from the three most recent reported fiscal years.

Source: S&P Capital IQ.

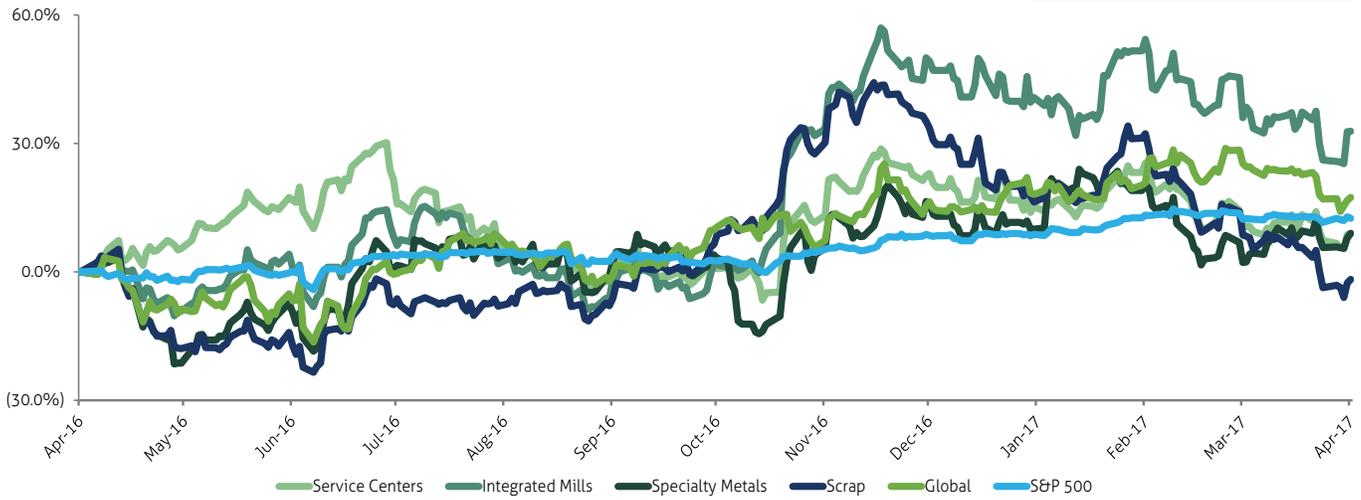


Metals Insider Industry Valuations

Indexed Metals Sub-Sector Share Price Performance

Price Return

	3 Mo's	6 Mo's	1 Yr
Service Centers	(5.8%)	7.8%	10.1%
Integrated Mills	(5.5%)	31.4%	29.2%
Specialty Metals	(9.2%)	6.3%	5.4%
Scrap	(18.2%)	(10.3%)	(6.3%)
Global	(2.9%)	4.8%	14.7%
S&P 500	3.0%	9.2%	12.3%



Source: S&P Capital IQ.



Metals & Metals Processing Practice

SERVICE CENTERS

- Metal service centers
- First-stage processing
- Distribution
- Material and supply chain management

MILLS AND FOUNDRIES

- Aluminum, steel, and specialty mills
- Mill services
- Iron and steel foundries
- Secondary smelting

MANUFACTURING

- Precision processing, welding, and fabrication
- Pipe and tube manufacturers
- Casting, forging, and machining
- Stamping and blanking
- Tool and die manufacturing

METALS RECYCLING

- Ferrous and non-ferrous scrap processing
- Scrap brokerage

Who We Are

Leading Independent Firm

- Independent investment banking advisory firm focused on the middle market
- Senior bankers with significant experience and tenure; partners average over 20 years of experience
- Offices in Chicago, Cleveland, and Philadelphia
- Founding member and exclusive U.S. partner of Global M&A Partners, Ltd., the world's leading partnership of investment banking firms focusing on middle market transactions
- Deep industry experience across core sectors of focus, including: Business Services, Consumer, Environmental & Industrial Services, Healthcare & Life Sciences, Industrials, and Real Estate

Comprehensive Capabilities

M&A ADVISORY	PRIVATE PLACEMENTS
Sell-Side Advisory Acquisitions & Divestitures Public & Private Mergers Special Committee Advice Strategic Partnerships & Joint Ventures Fairness Opinions & Fair Value Opinions	All Tranches of Debt & Equity Capital for: Growth Acquisitions Recapitalizations Dividends
FINANCIAL ADVISORY	RESEARCH
General Financial & Strategic Advice Balance Sheet Restructurings Sales of Non-Core Assets or Businesses \$363 Auctions	Primary Research Industry Benchmarking Operating Advisor Network White Papers Industry Surveys

Representative Transactions

 Midland Stamping & Fabricating a subsidiary of Advanced Alloy Processing — a portfolio company of — PEAK ROCK CAPITAL — acquired by — SPEYSIDE EQUITY BROWN GIBBONS LANG & COMPANY	 Independence Tube — acquired by — HUBCOR BROWN GIBBONS LANG & COMPANY	 Clinton Aluminum Innovative Alloys — acquired by — NORTHERN REFUGE BROWN GIBBONS LANG & COMPANY	 HYNES INDUSTRIES — recapitalized by — RESILIENCE CAPITAL PARTNERS BROWN GIBBONS LANG & COMPANY	 NMLP NATIONAL METALS LTD. — acquired by — BROWN GIBBONS LANG & COMPANY	 JGLC — a portfolio company of — REPUBLIC — acquired by — THE RESERVE GROUP BROWN GIBBONS LANG & COMPANY
 Superior Tube — acquired by — Watermill Group BROWN GIBBONS LANG & COMPANY	 Superior Tube — acquired by — Watermill Group BROWN GIBBONS LANG & COMPANY	 fine tubes — acquired by — Watermill Group BROWN GIBBONS LANG & COMPANY	 USM U.S. Metals & Supply — acquired by — Custom Steel processing BROWN GIBBONS LANG & COMPANY	 GOODMAN SERVICES, INC. — acquired by — Metalico BROWN GIBBONS LANG & COMPANY	 AP — acquired by — SAMUEL Samuel, Son & Co., Limited BROWN GIBBONS LANG & COMPANY
 Scott Process Systems, Inc. Review of Strategic Alternatives and Sale of Business to an Undisclosed Buyer BROWN GIBBONS LANG & COMPANY	 The melting operations of COMMERCIAL ALLOYS — acquired by — Zn BROWN GIBBONS LANG & COMPANY	 The recycling operations of COMMERCIAL ALLOYS — acquired by — RMG BROWN GIBBONS LANG & COMPANY	 WOLVERINE — divested — WOLVERINE — acquired by — Standish CAPITAL BROWN GIBBONS LANG & COMPANY	 TAD TAD Metals, Inc. — acquired by — ONEAL BROWN GIBBONS LANG & COMPANY	 Hodge Foundry — acquired by — EF FOUNDRY — a portfolio company of — SILVERHAWK CAPITAL PARTNERS BROWN GIBBONS LANG & COMPANY

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