



Metals and Metals Processing

Spotlight On:

Consolidation

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The metals market witnessed significant assets trade in 2014, with the pace of M&A likely to accelerate as metals suppliers leverage acquisitions to defend market position and navigate a changing demand outlook.

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Brown Gibbons Lang
& Company

Cleveland

One Cleveland Center
1375 East 9th Street
Suite 2500
Cleveland, OH 44114

Chicago

One Magnificent Mile
980 N. Michigan Avenue
Suite 1880
Chicago, IL 60611

bglco.com

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 text 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 Activity

- In line with positive broader market trends, the middle market¹ saw M&A deal volume and value climb 22 percent in 2014. A rebound in leveraged buyout activity saw new money issuance grow 24 percent to a record \$91.1 billion in 2014—the highest level since 2007.
- A supply demand imbalance continues to foster a competitive market for acquisition financing. In the broader market (EBITDA of less than \$50 million), senior leverage (senior debt to EBITDA) multiples rose to 5.2x in 2014—up from 4.5x in 2013, according to *Standard & Poors Leveraged Commentary & Data* (S&P LCD), which reported senior leverage of 4.6x in December for middle market transactions.
- Higher leverage is accommodating healthy valuations. S&P LCD cited a median EBITDA multiple of 9.8x in 2014—up from 8.8x in 2013 (EBITDA of less than \$50 million).
- Lenders are entering 2015 with a more conservative view on leverage, according to Thomson Reuters LPC. In its *1Q15 Middle Market Outlook*, almost 50 percent of lenders surveyed predict a decrease in leverage in 2015. Rising interest rates are expected to have a modest impact on valuations and borrowing costs in 2015. However, interest rate hikes are not anticipated before June, reports Capital Economics, pointing to the recent FOMC statement that it “...can be patient in beginning to normalize the stance of monetary policy”.
- Consolidation in the metals value chain is continuing. Notable transaction activity includes in Mills, Nucor’s acquisition of Gallatin Steel in October 2014, the purchase of Severstal Columbus (Steel Dynamics) and Severstal Dearborn (AK Steel) in September; and the Calvert assets of ThyssenKrupp by ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation in February. Fabrication deals include Dynacast’s acquisition by Kenner & Company in December; Waupaca Foundry’s acquisition by Hitachi Metals in November, and the purchase of Grede Holdings by Metaldyne (American Securities) in August.
- Notable capital markets activity includes the IPOs of Ryerson Holding Corporation (NYSE:RYI) in August 2014 and Metaldyne Performance Group Inc. (NYSE: MPG) in December 2014.



(1) Middle market defined as enterprise values between \$25 million and \$500 million.



Industry Valuations

- Energy market woes, global economic uncertainty, and mixed corporate earnings have plagued the equity markets, sending broader indices on a whipsaw. Year-over-year, the S&P 500 and DJIA are up 15.9 percent and 14.0 percent, respectively. The BGL Metals composite indices have all underperformed the market during the same period.

**As of February 23, 2015.*

Operating Highlights

- Metals companies anticipate challenges to persist in 2015. Overcapacity and a surge in imports (fueled by a strong dollar) that largely accommodated demand growth contributed to a weak pricing environment in 2014.
- Domestic steel prices remain under pressure with the U.S. HRC price falling to \$550/t in January 2015 from \$675/t a year ago. Year-to-date steel production through February* was 13.3 million net tons, down 1.5 percent from the same period a year ago, at a capability utilization of 76.0 percent (up from 75.8 percent).
- January service center inventories were reported at 9.9 million tons, a 16.4 percent increase year over year. Monthly shipments were 3.5 million tons. Months supply on hand decreased to 2.8 but is up 20.6 percent year over year—indicative of continued pressure on steel prices until inventory levels are corrected.
- Construction, automotive, and appliance end markets are expected to drive growth in steel consumption in 2015. Markets forecasted to experience weakness include energy, agriculture, and mining.

**As of February 21, 2015.*



For more information on how BGL's Global Metals Practice can assist your company, please contact:

Scott T. Berlin
Managing Director & Principal
Head: Metals and Metals Processing
216.920.6642

sberlin@bglco.com

Delivering Results to the Global Middle Market

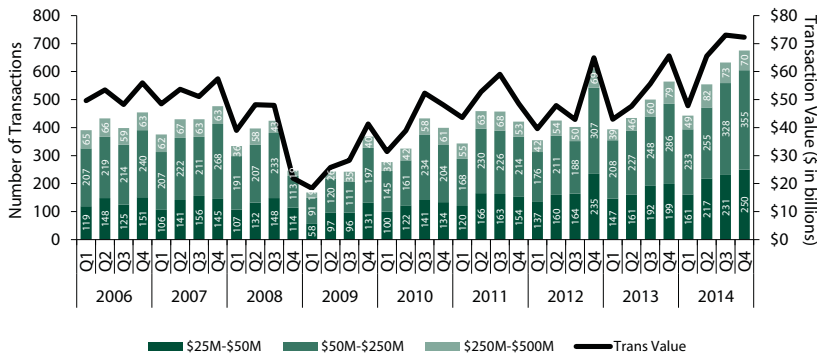




Metals Insider Mergers & Acquisitions Overall M&A Activity

Mergers & Acquisitions Activity

Middle Market M&A Activity

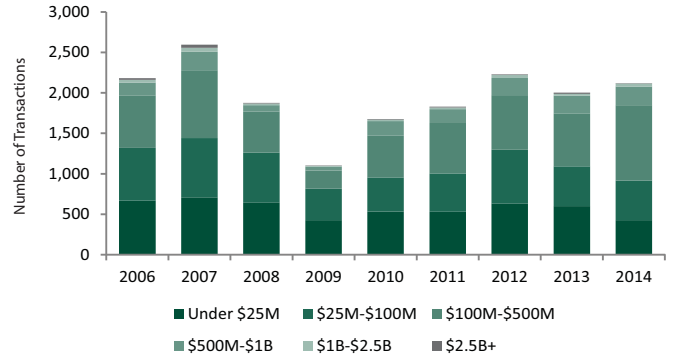


Based on announced deals, where the primary location of the target is in the United States. Middle market enterprise values between \$25 million and \$500 million.

SOURCE: S&P Capital IQ.

Private Equity Transaction Activity*

Transaction Count by Deal Size

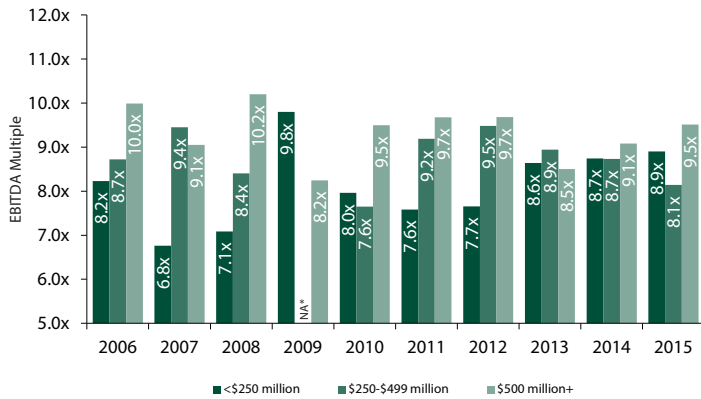


*Buyout activity only

SOURCE: PitchBook.

Trends in Valuation

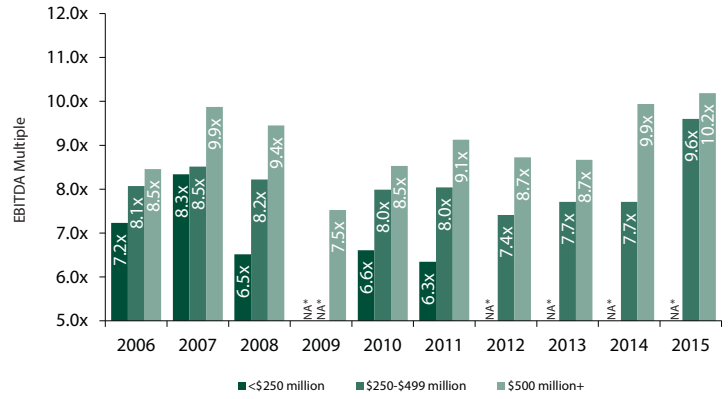
Transactions with Strategic Buyers



*NA: Data not reported due to limited number of observations for period.

SOURCE: Standard & Poors LCD.

Transactions with Financial Buyers

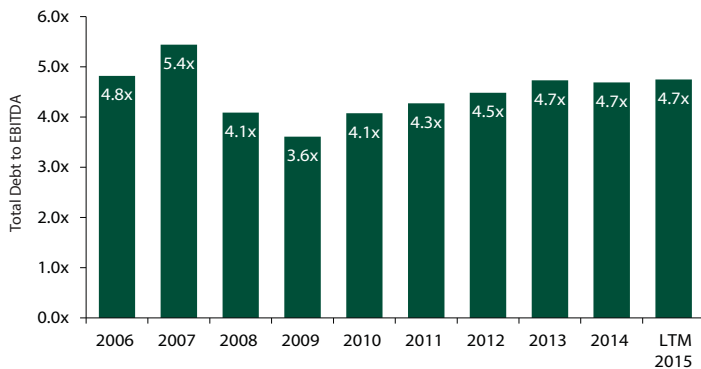


*NA: Data not reported due to limited number of observations for period.

SOURCE: Standard & Poors LCD.

Acquisition Financing Trends

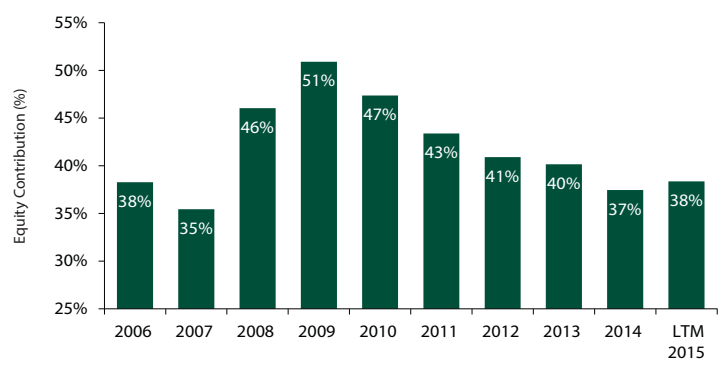
Total Leverage



Middle market enterprise values between \$25 million and \$500 million.

SOURCE: Standard & Poors LCD.

Equity Contribution



Middle market enterprise values between \$25 million and \$500 million.

SOURCE: Standard & Poors LCD.



Metals Insider Mergers & Acquisitions Metals M&A Activity

Notable M&A Activity in Service Centers

SERVICE CENTERS

In December 2014, **Reliance Steel & Aluminum Co.** (NYSE:RS) completed the acquisition of Houston, Texas-based **Fox Metals and Alloys, Inc.** (Fox), a steel distributor specializing in alloy, carbon, and stainless steel bar and plate products for the oil, gas, and petrochemical industries. The company's in-house processing services include saw cutting, plate burning, and testing. Fox reported net sales of approximately \$50.5 million in 2013.

"The acquisition of this high quality, customer service-focused company further expands our presence in the oil and gas arena, an attractive and growing market for us," said Reliance CEO David Hannah.

The transaction follows the August 2014 purchase of **Northern Illinois Steel Supply Co.** (NIS). Founded in 1961 and based in Channahon, Illinois, NIS is a distributor and fabricator of steel and non-ferrous metal products, comprised primarily of structural steel components and parts, with a large concentration in the energy and petrochemical sectors. NIS reported net sales of approximately \$20.3 million in 2013.

"NIS has a unique business model, combining traditional metal distribution capabilities with extensive in-house fabrication services, often on an emergency basis. This acquisition complements our growth strategy of adding companies that offer higher value-added services," said Hannah.

Also in August, Reliance **acquired Aluminium Services UK Limited**, the holding company parent of **All Metal Services (AMS)**, a supplier of aluminum, steel, titanium, nickel alloys, and aluminum bronze to the aerospace and defense industries. AMS provides comprehensive materials management solutions to leading aerospace and defense OEMs and their subcontractors in more than 40 countries. The company has five UK locations, along with locations in France, Malaysia, and China, as well as a sales office in India. AMS reported net sales of approximately GBP 174.9 million in 2013.

"We are excited to expand our aerospace presence in this growing market," said Reliance CEO David Hannah. "This acquisition is especially attractive given the current and anticipated growth of the global aerospace industry. AMS is a well-established and trusted supplier to the aerospace

and defense markets and we look forward to continuing to support their existing global customer base while maximizing opportunities for growth."

In January 2015, **Ryerson Holding Corporation** (NYSE:RYI) completed the acquisition of Strongsville, Ohio-based metals service center **Fay Industries, Inc.**, a move that strengthens Ryerson's long products and saw cutting processing capabilities and its ability to serve industries including heavy equipment, mining, oil and gas, and industrial maintenance and repair, according to a company statement. Fay Industries employs around 65 people and has annual revenue of approximately \$30 million.

"Fay Industries brings extensive experience in bar and tube processing to Ryerson and advances our strategic focus on value-added customer services," said Ryerson CEO Mike Arnold. The acquisition furthers Ryerson's broader strategy to expand its long and plate product offerings, processing services, and geographic reach. "We continue to look for acquisitions like Fay Industries that foster business growth," Arnold added.

Private equity firm Platinum Equity is a shareholder in Ryerson and holds majority equity stake (65.67 percent) post-IPO, which was completed in August 2014.

INTEGRATED/MILLS

In October 2014, **Nucor Corporation** (NYSE:NUE) acquired **Gallatin Steel Company** from **ArcelorMittal** (ENXTAM:MT) and **Gerdau Ameristeel** in a \$770 million transaction. The facility has an annual capacity of approximately 1.8 million tons, increasing Nucor's total flat-rolled production by 16 percent to approximately 13 million tons annually and broadening its footprint in the Midwest region. "Our agreement to purchase Gallatin Steel is a significant step forward in the execution of Nucor's strategy for profitable growth. Importantly, Gallatin will enhance Nucor's current position serving flat-rolled customers in the growing pipe and tube segment," said Nucor CEO John Ferriola. The \$770 million purchase price represents a valuation of approximately 6.4x estimated 2015 EBITDA.

In September 2014, **AK Steel Holding Corporation** (NYSE:AKS) acquired the **Dearborn, Michigan steelmaking assets** of **Severstal North America** for \$700 million. The transaction also included a cokemaking facility and interests in three joint ventures that process flat-rolled steel



Metals Insider Mergers & Acquisitions Metals M&A Activity

Notable M&A Activity in Scrap

products. The newly acquired operations will be referred to as “Dearborn Works.”

James Wainscott, CEO of AK Steel called the acquisition “transformational to AK Steel”. Dearborn Works produces hot and cold rolled sheet and hot dip galvanized products, as well as other flat-rolled steel products. The facility has an annual capacity of approximately 2.5 million tons, increasing its annual shipments to more than 7.5 million tons. AK Steel anticipates annual cost-based synergies of approximately \$50 million, with approximately \$25 million realized in 2015.

In September 2014, **Steel Dynamics Inc.** (NasdaqGS:STLD) acquired the **Columbus, Mississippi steelmaking assets** of **Severstal North America** for \$1.625 billion. Characterizing the deal as a transformative strategic growth transaction, SDI indicated that the buy will broaden its sheet steel product capabilities, expand its offerings in the OCTG and automotive end markets, and expand its geographic reach in the Southeastern U.S. and Mexico markets. With 3.4 million tons of annual hot roll production capacity, SDI will expand its annual steel production capacity by 40 percent to 11.0 million tons.

The deal values the Severstal North America assets at -8.6x overall.

In February 2014, **ArcelorMittal** (ENXTAM:MT), together with **Nippon Steel & Sumitomo Metal Corporation** (TSE:5401) completed the acquisition of **ThyssenKrupp Steel USA** in a \$1.55 billion transaction. Located in Calvert, Alabama, the facility has a total capacity of 5.3 million tons including hot rolling, cold rolling, coating and finishing lines. ArcelorMittal CEO Lakshmi Mittal called the move “an important strategic acquisition” that will complement ArcelorMittal’s existing U.S. auto business and strengthens its position in supplying the energy industry.

SCRAP

Adam Weitsman, CEO of Upstate Shredding-Ben Weitsman Recycling, continues to up its equity stake in competitor Metalico (AMEX:MEA), reporting an 11.69 percent interest in a recent 13D filing. In February 2015, Weitsman made an offer to acquire the company for

78 cents a share. MEA’s share price closed at 57 cents on February 20. The proposed offer values the business at \$164 million, representing a 7.2x multiple of EBITDA.

In January 2015, **Alter Trading Corporation** agreed to acquire the assets of **Wausau Scrap and Recycling Corporation**, a Wisconsin-based industrial scrap recycler that has been in operation since 1951. In 2013, Alter acquired **All Metals Recycling LLC** in December and **CMI-TMC Holdings Inc.** in October.

In August 2014, **Scrap Metal Services, LLC** (SMS) acquired the auto shredding operation of **360 Degree Metal Recycling Inc.** The company operates a full-service scrap yard in New Carlisle, Indiana. Commenting on the transaction, SMS CEO Jeffry Gertler, said, “We have been looking at siting a major auto shredding operation in the Chicagoland or Northern Indiana area for some time to primarily process our company’s growing shredder feedstock. Rather than add another shredder in this highly competitive marketplace, acquiring an existing shredding operation in the area, which met our company’s environmental standards, was economically prudent and strategically a good fit.” Burnham, Illinois-based Scrap Metal Services operates more than 20 scrap processing, steel mill support services, ship breaking and oil rig dismantlement intermodal/truck/railcar dismantling facilities, and auto salvage and parts sales yards in the United States and Mexico.

Upstate Shredding (Ben Weitsman & Son) announced the acquisitions of **Murtagh Scrap Handling** of Rome, New York in December and Fort Ann, New York-based **Eastside Metals & Recycling Corp.** in July.

Located between Syracuse and Utica in Oneida County, **Murtagh** will further expand Upstate Shredding’s footprint in the Northeast. CEO Adam Weitsman called the acquisition “a very strategic move for the company”, adding, “The location is perfectly situated in the state where we don’t yet have as large a presence. We will be investing a lot of money into this location to bring the scrap yard to the high standards that our other yards have become known for.” Weitsman indicated that the company will spend \$3 million to renovate the yard, including new buildings, equipment and other improvements. Family-owned Murtagh was founded in 1986.



Metals Insider

Mergers & Acquisitions

Metals M&A Activity

Notable M&A Activity in Fabricators

Eastside Metals will expand Upstate Shredding's presence in Washington County and the Northeast region of New York. Founded in 2003, Eastside expanded its operations from auto parts recycling to include full service scrap metal recycling.

FABRICATORS

In February 2015, **Worthington Industries Inc.** (NYSE:WOR) completed the acquisition of **Rome Strip Steel**. Based in Rome, Ohio and founded in 1926, Rome Strip Steel manufactures cold rolled strip steel to extremely tight tolerances, primarily for the automotive industry. Processing capabilities include rolling, annealing, and slitting cold rolled alloy, high carbon, low carbon close tolerance strip steels, and high and low strength alloy steels. Rome Strip Steel operates production facilities in Columbus and Cleveland, Ohio, and reported sales of approximately \$70 million in 2013.

Commenting on the acquisition, Geoff Gilmore, president of Worthington Industries Steel Processing, said, "The addition of Rome will expand our ability to process close tolerance material with custom surface finishes and increase our overall production capacity. This acquisition supports our strategy to focus our growth on high value-added products." Transaction Multiple: .78x Revenue

In December 2014, **Partners Group** announced it was acquiring **Dynacast International** in a \$1.1 billion transaction. Dynacast makes high-precision metal components utilizing die casting and metal injection molding technologies and serves the automotive, telecommunications, computing, consumer electronics, and healthcare industries. The Charlotte, North Carolina-based company operates 23 facilities in 16 countries. Dynacast acquired metal injection molder Kinetics Climax in September 2014, "accelerating its position as a front-runner in the growing Metal Injection Molding (MIM) market," said Dynacast CEO Simon Newman, bringing together more than 30 years combined MIM experience. The companies operate three MIM facilities in the U.S. and Singapore.

Dynacast was acquired in 2011 by a consortium of investors including **Izurium Capital Management, W Capital Partners, Laurel Crown Partners, Kenner & Company, Babson Capital Management, Macquarie Capital** and certain members of management. Kenner

& Company and company management rolled over significant equity stakes in the transaction.

Commenting on the transaction, Joel Schwartz, Managing Director at Partners Group, said, "We are really looking forward to working with Simon and the rest of Dynacast's management team in this next stage of the company's development. Dynacast already has a truly differentiated position as a global supplier in the precision metal components marketplace and we see exciting potential for further expansion. We believe our global platform and deep network of industry relationships make us the ideal partner to back management's vision for the business going forward, particularly through our assistance with acquisitions and with the deepening of the company's integrated, worldwide approach."

In November 2014, **Hitachi Metals, Ltd.** (TSE:5486) acquired **Waupaca Foundry, Inc.** a leading producer of ductile iron and gray iron castings serving the automotive, agricultural and construction machinery industries, in a \$1.3 billion cash transaction. The purchase is Hitachi Metal's largest acquisition to date. Based in Waupaca, Wisconsin, Waupaca Foundry employs about 3,900 people from four plants in Wisconsin and one plant each in Tennessee and Indiana. The company reported net sales of \$1.74 billion for the 12 months ended September 30, 2014.

Waupaca Foundry will join Hitachi Metals' High-Grade Functional Components Company to create a global platform serving the automotive, commercial vehicle, off highway, and other industrial sectors. Commenting on the transaction, Hitachi Metals CEO Kazuyuki Konishi, said, "I expect that Hitachi Metals and Waupaca's role will be ever larger in the global environment. Waupaca will be the foundation of the growth of Hitachi Metals group."

Waupaca Foundry was acquired by **KPS Capital Partners** in a corporate divestiture from **ThyssenKrupp AG** (XTRA:TKA) for \$222 million in 2012. The sponsor reportedly boosted Waupaca's profitability by 40 percent in two years.

In September 2014, **Shiloh Industries Inc.** (NasdaqGS:SHLO) acquired Radar Industries Inc. for \$57.9 million. The Warren, Michigan-based company produces stamped interior, chassis, and powertrain components and welded assemblies for the automotive industry. With presses ranging from 300 to 2200 tons, Radar employs



Metals Insider Mergers & Acquisitions Metals M&A Activity

Notable M&A Activity in Fabricators

the latest metal technologies to form ultra-high strength steels, dual phase and trip steels, high carbon, stainless steel, and aluminum steel. The company is recognized as a leader in welding, including mig, tig, laser, projection and resistance. Radar employs about 325 people.

With the acquisition, Shiloh gains two metal stamping plants and a sales and technical center in Warren, along with another metal stamping plant in Celaya, Mexico, helping to expand its manufacturing capacity into Michigan and Central Mexico, according to a company press release announcing the transaction, which cited the “rapid growth” being seen by the automotive industry and its suppliers in Central Mexico. “The automotive market in Central Mexico is experiencing rapid growth, both at the OEM and supplier level. It is estimated that light vehicle production in Mexico will expand by nearly one million units by 2017,” shared Brad Tolley, Shiloh vice president of strategy and market development.

“Radar Industries is a perfect addition to Shiloh’s strategic lightweighting portfolio,” said Shiloh CEO Ramzi Hermiz. “To broaden our best-in-class portfolio even further, we actively seek solutions that address industry pinch points, such as large tonnage stamping capacity and tool and die capability. This acquisition is another way for us to better service our growing global customer base.”

“We remain focused on leading with technology and innovation and continue to strive for sustainable, profitable, global growth,” added Hermiz. “The acquisition adds to our strong technology position, customer diversification and geographic needs by complementing our existing stamping, laser welding, aluminum and magnesium die casting footprint.” The transaction follows the acquisition of Sweden-based **Finnveden Metal Structures**, a manufacturer of metal stampings and magnesium die castings, in June 2014 and **Contech Castings LLC** in August 2013, a provider of high-pressure aluminum die cast parts for the automotive industry.

In August 2014, **Grede Holdings** was acquired by **Metaldyne Performance Group** (NYSE:MPG) in a transaction valued at more than \$800 million. Grede manufactures ductile, gray, and specialty iron castings for transportation and industrial markets. The company

has 17 operations in North America with about 4,700 employees. American acquired Grede from **Wayzata Investment Partners LLC**, which formed the company in 2010 with the acquisition of Grede Foundries and the assets of Blackhawk Foundry and Citation Corporation.

Metaldyne Performance Group (MPG) is the holding company formed through the merger of HHI Group Holdings (October 2012 investment), Metaldyne LLC (November 2012 investment), and Grede Holdings in August 2014, with backing from private equity firm American Securities. MPG’s metal forming technologies focus on transmission, engine, driveline, and safety critical applications in passenger, commercial, and industrial vehicles. The company completed an IPO in December 2014 with American Securities retaining a majority interest.

In August 2014, **Jindal Tubular USA** acquired the assets of **PSL North America** (PSL NA) for \$104 million—a move that will expand its capabilities and market reach in water and natural gas transmission pipe in North America. The assets of PSL NA were acquired through a Section 363 sale. PSL NA manufactures large diameter, high pressure steel pipe utilizing helical submerged arc welding (HSAW) technology. The company’s manufacturing and coating plant located in Bay St. Louis, Mississippi, can produce over 300,000 tons of pipe per year with diameters ranging from 18 to 120 inches and lengths up to 80 feet. PSLNA’s pipes are used primarily for natural gas, petroleum and water transmission lines and construction pilings.

“This new acquisition is an expression of Jindal SAW’s expansive business approach that will extend an added advantage to tap into the wide U.S. market insistently,” said Chairman P. R. Jindal. “This acquisition is an important milestone, not only for Jindal SAW Ltd. but for all stakeholders. PSLNA’s modern and advanced manufacturing technology complements our existing operations in the U.S., further strengthening our asset base and production capacity,” said Mr. Neeraj Kumar, Group CEO of Jindal SAW Ltd.



Insider Perspective Consolidation

The metals market witnessed significant assets trade in 2014, with the pace of M&A likely to accelerate as metals suppliers leverage acquisitions to defend market position and navigate a changing demand outlook.

Steel mills saw a wave of acquisition activity in 2014 with domestic players the successful bidders on Gallatin Steel (Nucor) (Page 5) and Severstal's Columbus (Steel Dynamics) and Dearborn (AK Steel) assets (Page 6)—viewed as a positive for the U.S. market long-term. International players (CSN and JFE Steel) were rumored as bidders. Earlier in February, ArcelorMittal (ENXTAM:MT), in partnership with Nippon Steel & Sumitomo Metal Corporation (TSE:5401), completed the purchase of ThyssenKrupp's Calvert operations (Page 6).

M&A activity of that scale is viewed as unlikely in 2015; however, the moves are expected to spur more activity downstream, with scrap operators likely to feel the impact. With the acquired Gallatin and Severstal assets, 7.7 million tons of capacity has been consolidated, of which 5.5 million tons transfers to steel producers with sizable captive scrap operations (SDI and Nucor). The scrap supply chain has been facing margin pressure in the wake of declining scrap prices, excess shredder capacity, and slowing exports.

Global overcapacity will force consolidation, industry executives say. U.S. Steel CEO Mario Longhi, in an executive conference with industry analysts, characterized consolidation in the industry as “positive” with the belief that it will continue.

End market dynamics have metals players jockeying to defend market position with opportunistic acquisitions in play to expand capability and geographic reach.

Automotive

Automotive build rates are at historic highs with U.S. light vehicle sales reaching 16.4 million units in 2014 and on pace to surpass 17 million units in 2015. Automotive suppliers hold an optimistic outlook on the industry, according to findings from GE Capital's *Automotive Industry Economic Outlook Survey* released this January. Seventy-nine percent of respondents reported year-over-year increases in revenue over last year, with innovation a key driver of growth. Nearly 60 percent of companies derived 10 percent or more of revenue from products introduced in the past three years.

Aluminum is benefiting as lightweighting trends favor substitution for steel. Aluminum demand is up 31 percent

overall since 2009, approaching levels not seen since the mid-2000s according to the U.S. Aluminum Association. Downstream aluminum fabricators are poised for growth, with “body-in-white” cited as the fastest growing specialty market.

Visible recovery in the construction market

Positive trends in the Architectural Billings Index (ABI) and improvements in public spending support continued momentum in the construction market. Nonresidential building spend increased 17 percent in 2014, supported by a surge in manufacturing plant construction, reports Dodge Data & Analytics, and an increase in institutional building—the first increase in five years. Residential construction starts were up 8 percent over 2013 levels.

- Shiloh Industries (NasdaqGS:SHLO) (Page 7) acquired automotive stamper Radar Industries in September 2014, a buy that expands the company's manufacturing capacity in rapidly growing Central Mexico. The transaction follows the purchase of the automotive suppliers Finnveden Metal Structures in June 2014, a manufacturer of metal stampings and magnesium die castings in Europe, and Contech Castings LLC in August 2013, provider of high-pressure aluminum die cast parts.
- Hitachi Metals Ltd. (TSE: 5486) (Page 7) completed its largest acquisition to date with the purchase of Waupaca Foundry, a move that will expand its iron castings business globally serving the automotive, commercial vehicle, off highway, and other industrial sectors.

Energy market challenged

Volatility and uncertainty in the oil & gas market is being felt across the supply chain. The sharp decline in oil prices has had a material impact on domestic drilling activity, evidenced by a 16 percent decrease in active onshore drilling rigs in the last three months. Barclays Capital estimates North American E&P spending could fall by about 25 percent in 2015.

While a number of E&P companies have held back capex budgets and forecasts on drilling expectations for 2015, the general consensus is there will be cutbacks, said Efram



Kaplan, a managing director at Brown Gibbons Lang and head of the firm's Environmental & Energy Services practice. "The question is not if or when, but where and by what magnitude." Kaplan said. "Our research indicates that the impact will be greater in the West—in the Permian, Bakken, and Eagle Ford basins—than it will be in the East, specifically the Utica because of the merits and flexibility of the play."

Kaplan cautioned, "Blanket statements about the effect of oil pricing on all shale plays are a slippery slope these days given their varying dynamics, such as production and distribution alternatives. Needless to say, drilling and production activity is more sustainable in the lower cost basins. That analysis continues to be vetted out and studied more."

In an interview with Reuters, BP plc (LSE:BP) CEO Bob Dudley said, "The market is trying to find its footing. But the fundamentals of production haven't changed. We're in for a minimum year and probably several years of lower prices." Projections released this January by the Energy Information Administration (EIA) predict a rebound in operating rigs in November 2015. Crude oil prices are forecasted to stabilize around \$58/bbl in 2015 and rebound to \$75/bbl in 2016.

The sharp decline in oil prices will have a strong impact on M&A activity over the next twelve months, said 66 percent of respondents in a survey *Oil Resurgence & M&A* released by RR Donnelly and Mergermarket in January 2015. North America is expected to see the highest level of deal flow over the next 12 months, predict almost half (46 percent) of respondents in the survey. Companies surveyed predict oilfield services (36 percent) and downstream (7 percent) segments will be affected. In November 2014, oilfield services company Halliburton Company (NYSE:HAL) agreed to acquire Baker Hughes (NYSE:BHI) in a transaction valued at \$38 billion at announcement.

Reduced E&P spending is creating a ripple effect up and down the supply chain with metals suppliers reporting softening orders in the downturn:

- Timken (NYSE:TKR) CEO Ward Timken Jr. told analysts in the company's 4Q14 earnings call, "We believe in the energy markets in the long term, but we anticipate weaker oil and gas markets this year." Timken anticipates sales in the energy segment, of which about 75 percent go to upstream exploration companies, will peak in 1Q15 before declining during the year.

- Precision Castparts (NYSE:PCP), in the company's fiscal Q315 earnings call, reported that oil & gas sales were down 7 percent in the quarter. CEO Mark Donegan cited "rapid declines in demand from oil & gas customers", and adding, "we cannot predict when this market will recover." The company is anticipating weak demand conditions to persist through the next quarter. PCP generated roughly a quarter of its sales in the most recent year from the energy and power markets.
- U.S. Steel (NYSE:X) is idling production at its Texas and Alabama Tubular Operations, while Vallourec (ENXTPA:VK) announced a three-week shutdown at its Youngstown, Ohio plant beginning mid-February.

The energy sector is the largest consumer of metal pipe and tube, accounting for about 43 percent of industry revenue, estimates IBISWorld.¹ The market is reportedly in a state of flux with demand for small-diameter pipe, which tracks with the oil country tubular goods (OCTG) market, shrinking. The demand outlook for line pipe is more positive, and large-diameter pipe in particular because it is more project-driven and less affected by short-term volatility in energy prices, according to Metal Strategies, which forecasts significant demand growth over the next several years for large-diameter pipe in natural gas pipelines. Heavy gas-usage markets, including the Northeast U.S., are in need of infrastructure to transport gas from the Marcellus and Utica shale.

The metal pipe and tube landscape remains fragmented with room for consolidation. The five largest players control an estimated 27 percent share of the domestic market, with the remaining 73 percent fragmented among more than 200 fabricators that are smaller in scale with less depth in product range.¹

Recently traded pipe and tube assets include LD pipe manufacturer PSL North America to Jindal Tubular in August 2014 (Page 8) and distributor Dodson Steel Products to Texas Pipe & Supply in July. Large scale acquisitions in 2013 included the acquisition of distributors Edgen Group by Sumitomo Corporation of the Americas in November and Sooner by Marubeni-Itochu Steel in September.

Softening demand in the current pricing environment may lead smaller, undercapitalized players to consolidate with larger strategic companies to remain viable. Industry players that can sustain the current market downturn should see less competition, as well as the opportunity to capture market share.

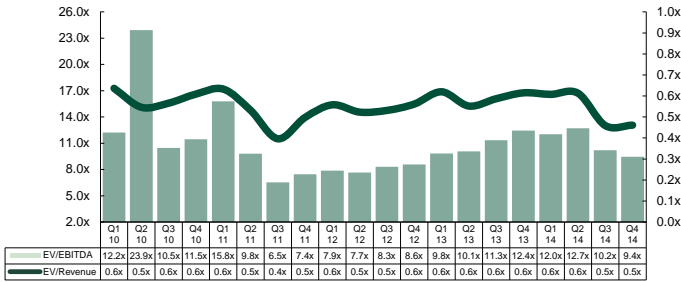
SOURCE: S&P Capital IQ, PitchBook, Equity Research, Company Filings, and public data.
¹Leah Goddard, *Metal Pipe & Tube Manufacturing in the US*, November 2014, IBISWorld.



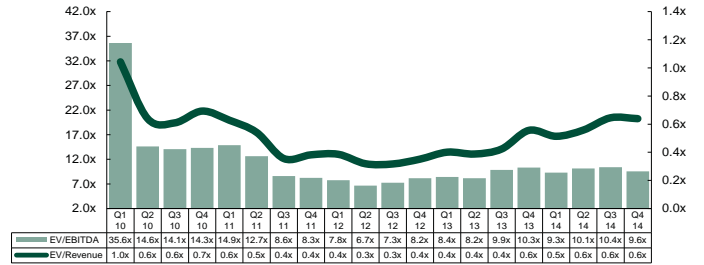
Metals Insider Industry Valuations

Relative Valuation Trends

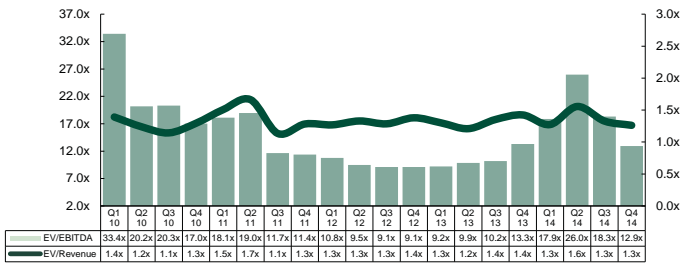
Service Centers



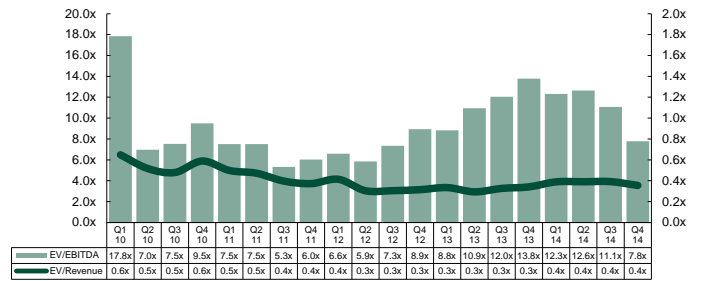
Integrated/Mills



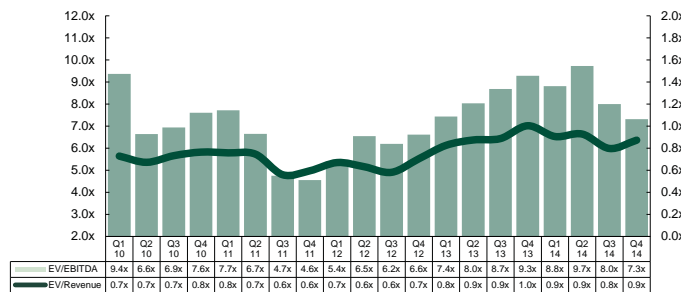
Specialty Metals



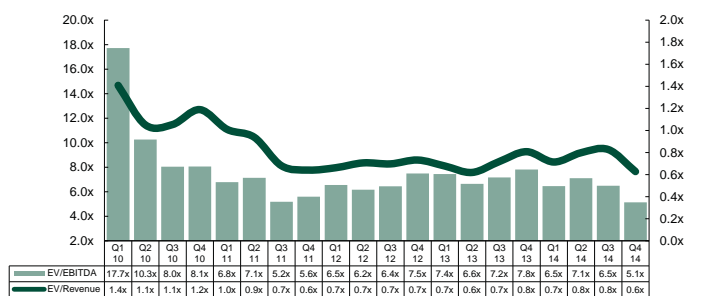
Scrap



Fabricators



Global



BGL Metals indices defined on Page 18.
SOURCE: S&P Capital IQ.



Metals Insider Industry Valuations

Relative Valuation Trends

(\$ in millions, except per share data)

Company Name	Ticker	Current Stock Price (1)	% of 52W High	Market Capitalization (2)	Enterprise Value (3)	TTM Enterprise Value / Revenue EBITDA		Total Debt/ EBITDA	TTM Revenue	TTM Margins Gross EBITDA	
SERVICE CENTERS											
Reliance Steel & Aluminum Co.	RS	\$57.54	76.3%	\$4,450.0	\$6,688.9	0.6x	8.0x	2.8x	\$10,451.6	25.1%	8.0%
Russel Metals Inc.	TSX:RUS	29.50	98.7%	1,221.43	1,565.01	0.5x	7.5x	1.8x	3,341.2	17.9%	6.8%
Ryerson Holding Corporation	NYSE:RYI	15.73	110.2%	206.00	1,344.30	0.4x	9.7x	8.8x	3,556.3	16.8%	3.9%
Olympic Steel Inc.	ZEUS	5.23	17.7%	172.75	436.66	0.3x	11.1x	7.0x	1,400.1	19.8%	2.8%
A. M. Castle & Co.	CAS	5.23	34.4%	122.93	387.99	0.4x	NM	NM	981.6	10.6%	-0.8%
Median		\$15.73	76.3%	\$206.0	\$1,344.3	0.4x	8.8x	2.3x	\$3,341.2	17.9%	3.9%
Mean		\$22.65	67.5%	\$1,234.6	\$2,084.6	0.4x	9.1x	2.3x	\$3,946.1	18.1%	4.1%
INTEGRATED/MILLS											
Nucor Corporation	NUE	\$48.00	81.7%	\$15,312.0	\$19,074.9	0.9x	9.1x	2.2x	\$21,105.1	9.0%	9.9%
Steel Dynamics Inc.	STLD	17.21	67.5%	4,683.3	7,355.0	0.8x	8.7x	3.6x	8,756.0	11.0%	9.6%
United States Steel Corp.	X	24.06	51.7%	3,532.4	5,676.4	0.3x	3.7x	2.3x	17,507.0	11.8%	8.8%
Commercial Metals Company	CMC	15.40	77.6%	1,808.3	2,917.4	0.4x	7.9x	3.9x	7,102.9	9.9%	5.2%
AK Steel Holding Corporation	AKS	4.32	38.0%	768.0	3,565.8	0.5x	9.9x	6.6x	6,505.7	7.7%	5.8%
Median		\$17.21	67.5%	\$3,532.4	\$5,676.4	0.5x	8.7x	2.9x	\$8,756.0	9.9%	8.8%
Mean		\$21.80	63.3%	\$5,220.8	\$7,717.9	0.6x	7.9x	3.0x	\$12,195.3	9.9%	7.9%
SPECIALTY METALS											
Allegheny Technologies Inc.	ATI	\$33.56	72.5%	\$3,648.1	\$5,028.5	1.2x	17.8x	5.4x	\$4,223.4	9.0%	6.7%
Carpenter Technology Corp.	CRS	42.50	63.4%	2,234.9	2,849.0	1.3x	9.9x	2.2x	2,269.1	15.6%	12.7%
RTI International Metals, Inc.	RTI	28.32	94.6%	870.3	996.5	1.3x	8.6x	4.0x	793.6	21.0%	14.5%
Haynes International, Inc.	HAYN	49.26	83.0%	515.3	477.6	1.0x	12.8x	0.0x	472.4	13.2%	7.9%
Universal Stainless & Alloy Products Inc.	USAP	33.54	86.3%	159.2	245.9	1.2x	8.9x	3.1x	205.6	15.6%	13.5%
Median		\$33.56	83.0%	\$870.3	\$996.5	1.2x	9.9x	3.1x	\$793.6	15.6%	12.7%
Mean		\$37.44	80.0%	\$1,485.6	\$1,919.5	1.2x	11.6x	2.9x	\$1,592.8	14.9%	11.1%
SCRAP											
Sims Metal Management Limited	ASX:SGM	\$14.48	146.6%	\$1,984.1	\$1,896.2	0.3x	15.3x	0.1x	\$5,678.2	10.0%	2.4%
Schnitzer Steel Industries, Inc.	SCHN	24.94	83.0%	430.4	761.5	0.3x	7.0x	3.2x	2,511.4	8.7%	4.3%
ITS Group	ITS	8.56	84.9%	65.0	76.3	0.4x	7.0x	0.0x	220.6	6.8%	6.0%
Industrial Services of America, Inc.	IDSA	5.56	79.5%	44.2	60.7	0.5x	NM	NM	117.5	2.5%	-0.1%
Metalico Inc.	MEA	1.96	89.9%	36.2	155.0	0.3x	6.8x	5.6x	554.7	8.2%	4.1%
Median		\$8.56	84.9%	\$65.0	\$155.0	0.3x	7.0x	1.6x	\$554.7	8.2%	4.1%
Mean		\$11.10	96.8%	\$512.0	\$589.9	0.4x	6.9x	1.6x	\$1,816.5	7.3%	3.3%
FABRICATORS											
Precision Castparts Corp.	PCP	\$213.98	77.8%	\$30,335.5	\$34,077.5	3.4x	10.8x	1.3x	\$10,100.0	34.6%	31.3%
The Timken Company	TKR	59.66	85.8%	3,738.2	4,002.5	1.3x	8.1x	1.1x	3,076.2	29.2%	16.0%
Worthington Industries, Inc.	WOR	39.42	86.8%	2,083.0	2,770.8	0.8x	7.4x	2.4x	3,397.7	14.8%	8.3%
RBC Bearings Inc.	ROLL	63.48	93.3%	1,417.7	1,307.6	2.9x	11.7x	0.1x	445.6	39.1%	25.1%
Metaldyne Performance Group Inc.	MPG	59.66	287.9%	1,340.1	3,197.2	1.5x	7.6x	4.7x	2,101.3	16.1%	20.1%
Canam Group Inc.	TSX:CAM	9.48	77.1%	399.1	608.0	0.7x	11.1x	3.9x	1,014.2	14.7%	6.2%
Shiloh Industries Inc.	SHLO	17.97	85.7%	217.8	477.3	0.5x	8.0x	4.6x	878.7	9.3%	6.8%
Median		\$59.66	85.8%	\$1,417.7	\$2,770.8	1.3x	8.1x	2.4x	\$2,101.3	16.1%	16.0%
Mean		\$66.24	113.5%	\$5,647.3	\$6,634.4	1.6x	9.2x	2.6x	\$3,001.9	22.5%	16.2%
GLOBAL											
ArcelorMittal	ENXTAM:MT	\$10.85	79.1%	\$17,945.2	\$35,625.3	0.5x	5.3x	2.7x	\$79,282.0	9.1%	9.2%
ThyssenKrupp AG	XTRA:TKA	26.37	98.0%	14,925.3	19,514.2	0.4x	9.6x	4.5x	51,152.9	15.1%	4.1%
PAO Severstal	MICEX:CHMF	11.12	96.8%	9,015.5	10,510.6	1.3x	4.7x	1.5x	8,296.4	34.3%	27.8%
Tata Steel Limited	BSE:500470	5.79	74.9%	5,619.5	12,754.8	0.5x	4.8x	3.5x	23,452.4	40.1%	11.1%
Ternium S.A.	TX	29.38	95.3%	3,413.8	6,190.2	0.7x	4.6x	1.6x	8,726.1	20.6%	15.8%
SSAB AB	OM:SSAB A	6.00	70.3%	3,144.7	6,163.4	1.1x	25.1x	14.4x	6,103.0	7.0%	4.3%
Median		\$10.99	87.2%	\$7,317.5	\$11,632.7	0.6x	4.8x	2.1x	\$16,089.2	17.8%	10.1%
Mean		\$14.92	85.7%	\$9,010.7	\$15,126.4	0.8x	4.9x	2.3x	\$29,502.1	21.0%	12.1%

NOTE: Figures in bold and italic type were excluded from median and mean calculation.

(1) As of 2/23/2015.

(2) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(3) Enterprise Value is the total value of a firm (including all debt and equity).

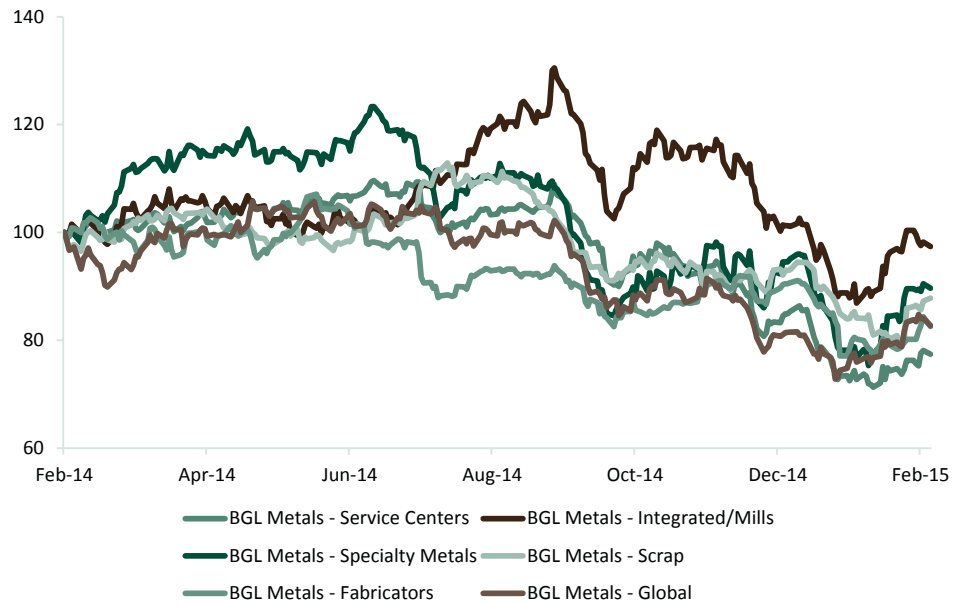
Source: S&P Capital IQ.



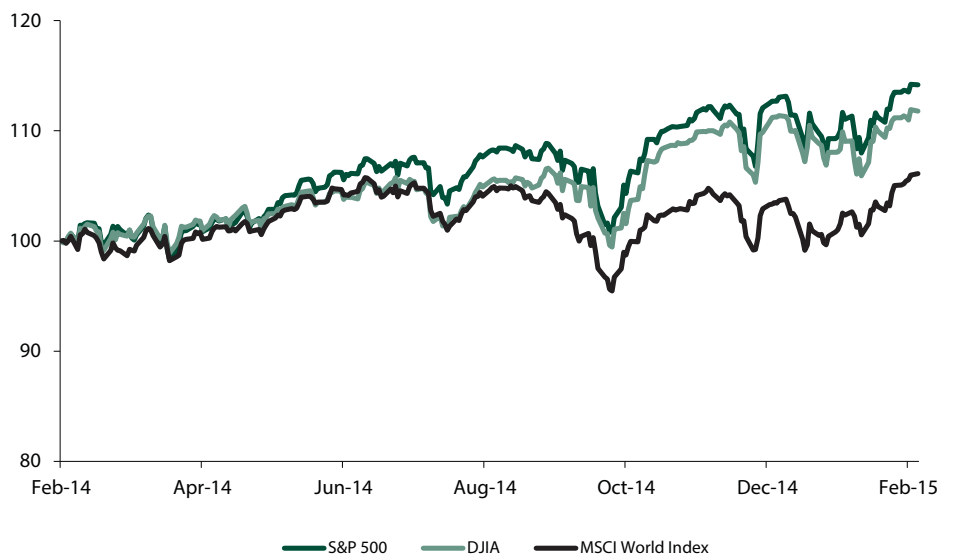
Sector Performance

Index Performance

Metals



Market



Index: February 24, 2014 = 100.

Source: S&P Capital IQ.



Global Metals Practice

Manufacturing

- Welded and seamless pipe and tubing manufacturers
- Forging operations
- Alloy production
- High precision metal fabrication

Casting/Foundry

- Iron casting manufacturing
- Steel casting manufacturing
- Investment casting manufacturing
- Aluminum and zinc diecasting

Service Centers

- Stainless and aluminum sheet processing
- Flat-rolled carbon production
- Metal distribution
- Material and supply chain management

Metals Recycling

- Ferrous scrap metal recycling
- Non-ferrous scrap metal recycling
- E-waste recycling

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 and Cleveland
- Founding member and the 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: Metals & Metals Processing, Consumer Products & Retail Services, Environmental & Energy Services, Healthcare & Life Sciences, Human Capital Management Outsourcing, Industrials, Plastics & Packaging, and Real Estate

Comprehensive Capabilities

M&A Advisory	Private Placements	Financial Advisory
<p>Sell-Side Advisory</p> <p>Acquisitions & Divestitures</p> <p>Public & Private Mergers</p> <p>Special Committee Advice</p> <p>Strategic Partnerships & Joint Venture Formation</p> <p>Fairness Opinions & Fair Value Opinions</p>	<p>All Tranches of Debt & Equity Capital for:</p> <p>Growth</p> <p>Acquisitions</p> <p>Recapitalizations</p> <p>Dividends</p>	<p>General Financial & Strategic Advice</p> <p>Balance Sheet Restructurings</p> <p>Sales of Non-Core Assets or Businesses</p> <p>\$363 Auctions</p>

For questions about content and circulation, please contact editor, Rebecca Dickenscheidt, at rdickenscheidt@bgco.com or 312-513-7476.

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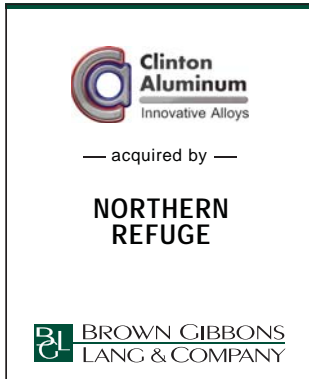


Global Metals Practice

Case Studies in Value Creation

BGL Client:

Results:



Clinton Aluminum

Clinton Aluminum is a leading provider of aluminum and stainless steel products in the United States and Canada. The company specializes in saw cut, plasma, and water jet aluminum and stainless steel plate in rectangles, squares, circles, rings, and special shapes per sketch. Clinton Aluminum has grown its market share around the Great Lakes region to become the largest distributor of aluminum plate used for making injection/blow/thermoforming molds in North America.

BGL was engaged to manage a competitive sale process that included targeted strategic acquirers and select domestic and international private equity funds.

BGL's role in value creation:

- Achieved an attractive valuation for the business by highlighting the company's focus on quality and service over pricing, it's diversified customer base, as well as the company's strong hold on the aluminum plate market in North America.
- Following a competitive marketing process to multiple strategic and financial investors, the company was sold to Northern Refuge.



Hynes Industries

Hynes Industries is a leading North American manufacturer of high quality roll formed shapes, strip steel, and flat wire for use in demanding applications in the truck trailer, building and construction products, home and long-term care products, and a variety of other markets.

BGL was engaged to manage a sale of the company to a limited universe of U.S. and international private equity funds, in addition to a targeted group of potential strategic acquirers.

BGL's role in value creation:

- Achieved an attractive base multiple for the business, as well as negotiated significant incremental value for excess inventory and reserves on the balance sheet, incremental value for a new manufacturing line, and incremental value in the form of a discount for underfunded pension obligations.
- Ultimately, the company was sold as a platform investment to Resilience Capital Partners, a Cleveland, Ohio-based private equity firm.



Astro Shapes

Founded in 1971 and headquartered in Struthers, Ohio, Astro Shapes is a leading U.S. manufacturer of extruded aluminum products for use in the residential and commercial building and construction, recreational vehicle/leisure and transportation, machinery and equipment, consumer durables, electrical, and medical markets. The company also provides unmatched finishing capabilities through its electrostatic painting line and leading thermal barrier technologies, including its polyamide strip system, the first of its kind in the United States.

The company owners were seeking liquidity and engaged BGL to run a competitive sale process.





BGL's role in value creation:

- Generated broad interest from both strategic and financial buyers, ultimately partnering with a buyer that shared Astro Shape's strong commitment to quality and service and can ensure the continuation of its rich company heritage.



Global Metals Practice

Representative Transactions:

<p>Pending Sale</p> <p>National provider of industrial scrap recycling services</p>  BROWN GIBBONS LANG & COMPANY	<p>Pending Sale</p> <p>Manufacturer of cold finished steel bars</p>  BROWN GIBBONS LANG & COMPANY	<p>Pending Sale</p> <p>Welded aluminum tube manufacturer</p>  BROWN GIBBONS LANG & COMPANY	 <p>— acquired by —</p> <p>NORTHERN REFUGE</p>  BROWN GIBBONS LANG & COMPANY	 <p>— recapitalized by —</p> <p>RESILIENCE CAPITAL PARTNERS</p>  BROWN GIBBONS LANG & COMPANY
 <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— a portfolio company of —</p>  <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>
 <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p> <p>Scott Process Systems, Inc.</p> <p>Review of Strategic Alternatives and Sale of Business to an Undisclosed Buyer</p>  BROWN GIBBONS LANG & COMPANY	<p>The melting operations of</p>  <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	<p>The recycling operations of</p>  <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>
 <p>— divested —</p>  <p>to</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p> <p>TAD Metals, Inc.</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p>  <p>— a portfolio company of —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>	 <p>— acquired by —</p> <p>TINICUM CAPITAL PARTNERS II, L.P.</p>  BROWN GIBBONS LANG & COMPANY	 <p>— and its affiliate —</p>  <p>— acquired by —</p>  <p>BROWN GIBBONS LANG & COMPANY</p>

BGL Contacts:

Scott T. Berlin
 Head: Metals and Metals Processing
 216.920.6642
 sberlin@bglco.com

For questions about content and circulation, please contact editor, Rebecca Dickenscheidt, at rdickenscheidt@bglco.com or 312-513-7476.



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