

METALS M&A BENEFITS FROM RESHORING AND NEW ENTRANTS ACROSS THE VALUE CHAIN

METALS MANUFACTURING M&A UPDATE | JUNE 2024



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Metals Manufacturing

Metals M&A Benefits From Reshoring and New Entrants Across the Value Chain

KEY SECTOR TAKEAWAYS

Capstone Partners' [Industrials Group](#) is pleased to share its Metals Manufacturing report. The Metals Manufacturing sector has seen domestic industrial policy favor North American metals supply, providing significant tailwinds for future merger and acquisition (M&A) activity. Several additional key report takeaways are outlined below.

1. Through multiple legislative acts, such as the Inflation Reduction Act (IRA), Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, Science Act, and the Infrastructure Investment and Jobs Act (IIJA), the Biden Administration is offering subsidies worth hundreds of billions of dollars for companies to make key products—ranging from Semiconductors to Electric Vehicles (EVs) and their components—at domestic factories, according to the White House.¹
2. As the U.S. moves to decouple from Chinese imports, U.S. raw steel production increased 1.1% from 2022 to a total of 89.7 million tons (Mt) in 2023, according to a report by the American Iron and Steel Institute (AISI).²
3. Metals Manufacturing M&A activity has softened year-over-year (YOY) with 63 deals announced or completed year-to-date (YTD), an 18.2% decrease from YTD 2023 levels. Despite a decline in dealmaking, sector players have continued to pursue M&A opportunities that extend portfolio offerings across the value chain.
4. Players in the Metals Production, Metals Processing, and Metals Fabrication segments have voiced a desire to diversify services and product offerings to better align with high-growth sectors, targeting steel-adjacent growth trends, according to Ryerson's 2023 Annual Report Letter to Shareholders.³
5. Japan's largest steelmaker and one of the world's leading steel manufacturers, Nippon Steel (TSE:5401), announced the acquisition of U.S. Steel (NYSE:X). The deal has faced significant scrutiny from union workers, politicians, and industry heads, indicating an uphill battle for regulatory approval.

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DOMESTIC METALS PRODUCTION POISED FOR STRONG GROWTH

Decoupling of Chinese Production

The Metals Manufacturing sector is expected to benefit from several tailwinds despite stubborn economic volatility. U.S. raw steel production totaled 89.7 million tons in 2023, a 1.1% increase from 2022, according to the AISI. Total steel imports into the U.S. decreased by 8.7% YOY in 2023, while finished steel imports decreased 14.1% over the same period and captured a 21% share of steel consumption in the U.S., according to the report. An impending 2024 election season has seen bipartisan support for increased tariffs. In May, President Biden announced an \$18 billion tariffs increase on Chinese imports across Steel, Semiconductors, EVs, and other end markets, according to The White House.⁴ Biden's increase follows former President Trump's 2019 \$300 billion tariff program used to curb China's stronghold over global production. The growth in domestic production and deceleration of imports are a result of the sweeping reform like the IRA, CHIPS Act, and IJIA that has targeted China's development of critical technologies to prioritize U.S. production.

Investments Burgeon in Domestic Steel Market

Capital expenditures by U.S. public players in Capstone's Metals Production Index (see page 13) have grown an average of 10.3% YOY over the past three years, underscoring the push for U.S.-sourced manufacturing. New investments in North America for publicly disclosed capital expenditures have reached approximately \$23 billion, according to the Association for Iron & Steel (AIST).⁵ Of note, U.S. Steel is set to complete its \$3.2 billion Arkansas mini-mill in the back half of 2024, adjacent to its original Big River mills which will expand production to six Mt/year. Nucor (NYSE:NUE) broke ground on its \$3.1 billion West Virginia steel mill in October 2023, expected to produce three Mt/year of sheet for the Automotive, Construction, and Heavy Equipment markets. Similarly, the Commercial Metals Company (NYSE:CMC) broke ground on their West Virginia plant in July 2023; a \$450 million rebar micro-mill. Investments in steel mills have demonstrated a positive outlook for Non-Residential Construction, Electricity, and Renewables markets. Gradual declines in interest rates are expected to result in increased demand for consumer durables and EVs in the U.S.



Mike Schumacher
Managing Director

"With China having grown old before it has gotten rich and Europe facing elevated energy costs for the foreseeable future, North American industrial fundamentals have not been this good in decades. A primary beneficiary of this will be the Metals Manufacturing sector with domestic investment being made from abroad, capacity increases to meet domestic demand, and reorientation of supply chains, where Mexico, Texas, and the Midwest stand to be major winners in these shifts."

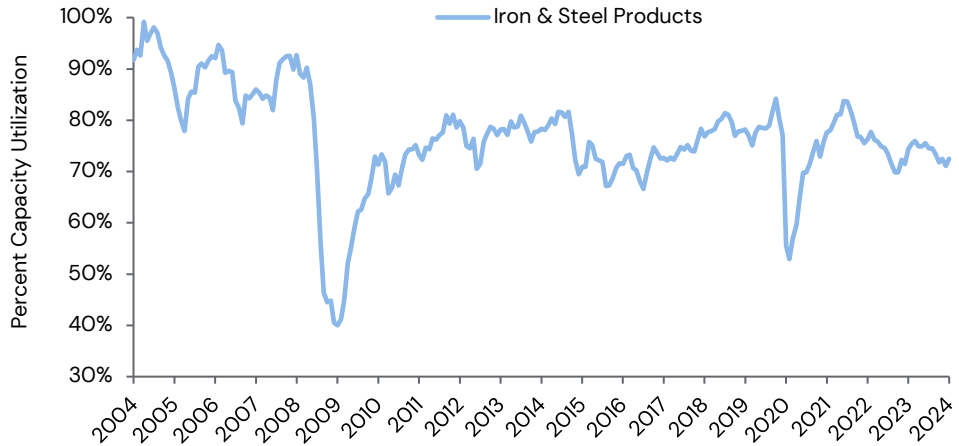
Green Steel and Decarbonization Initiatives Soar

Steel has continued to be a vital sector for the U.S. economy, with domestic players leading the future of clean steel. Of note, the Biden-Harris Administration announced \$6 billion for 33 clean manufacturing projects for steel and aluminum, including the first new primary aluminum smelter in four decades, according to The White House. Many of the project investments include a related renewables development. Of note, EVRAZ North America's Colorado rail mill has an associated \$285 million solar farm. Sustainability-focused investments and legislation have positioned U.S.-based companies to serve end markets with higher quality and sustainable metals. Electric arc furnace (EAF) steelmaking has made steel greener, safer, and more energy efficient. More than 70% of all steel made in the U.S. is sustainably produced using EAFs, according to the Steel Manufacturers Association (SMA).⁶ Additionally, investments have targeted even greener solutions, like hydrogen, to serve as a fuel source in blast furnaces. Notably, Cleveland-Cliffs (NYSE:CLF) conducted successful hydrogen injection trials on two of its steel mills, Indiana Harbor and Middletown, according to a company sustainability report.⁷ The company also installed a hydrogen pipeline at Indiana Harbor in anticipation of a future U.S. Department of Energy (DOE) hydrogen hub in Indiana. "The rest of the world is actually trying to make their steel industry look like ours," said Philip Bell, President of the SMA, according to the AIST report.

MACROECONOMIC BACKDROP

Sector Utilization Returns to Normalized Levels

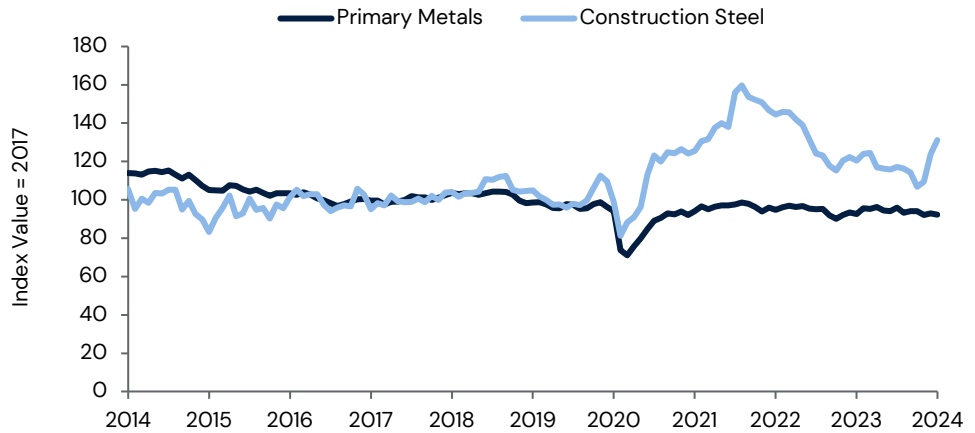
Capacity utilization captures the sustainable maximum a plant can maintain within the framework of a realistic work schedule. The capacity utilization rate for the Iron & Steel Products segment was 72.5% through April 30, a 1.9% decrease YOY but up 0.7% YTD.



Source: U.S. Federal Reserve and Capstone Partners

Domestic Production Varies as Legislation Takes Effect

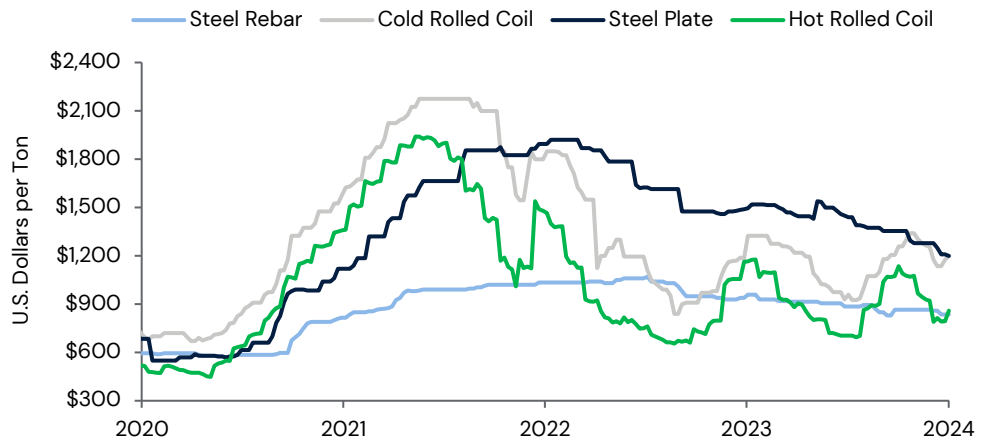
Domestic production of primary metals has normalized YOY to an index value of 92.2. Meanwhile, domestic production of construction steel has spiked again following a period of moderation to 131.2.



Source: U.S. Federal Reserve and Capstone Partners

Metal Prices Retreat as Volatility Impacts Revenues

Sector players have enjoyed a period of robust revenues as an elevated pricing environment led to costs being passed down to customers, according to Nucor's Q1 earnings call.⁸ Prices have since normalized but supply chain disruptions, trade disputes, and raw material costs have continued to impact pricing.



Source: Bloomberg, FactSet, and Capstone Partners

STRATEGICS REALIGN AND OPTIMIZE PORTFOLIOS AS M&A SOFTENS

Metals Manufacturing M&A activity has softened YOY with 63 deals announced or completed YTD, an 18.2% decrease from YTD 2023. Despite a decline in dealmaking, sector players have continued to pursue M&A opportunities that extend portfolio offerings across the value chain.

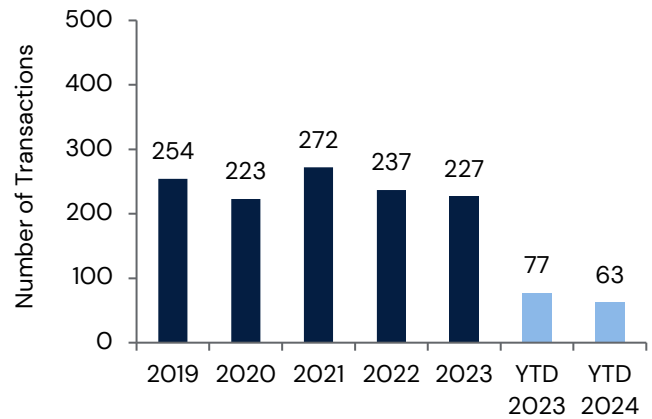
Private strategics have maintained their presence in the space, comprising 33.3% of announced or completed deals in YTD. However, private strategic deal volume has dropped from 33 to 21 deals compared to the prior year period. Public strategics have continued to seek scale and additional capacity through inorganic growth, finding attractive prices for businesses with 14 deals YTD and in 2023. Private equity platform deals have declined 50% YOY to eight transactions, while private equity add-ons have made up for the deficit, rising 42.9% YOY.

Sector multiples have been greatly impacted by where a business operates within the value chain. The Metals Production segment has ordinarily garnered EBITDA multiples in the low single digits, while the Metals Processing segment has typically received multiples in the high-single or low-double-digit range. In YTD 2024, EBITDA multiples have averaged 10.5x, a jump from the full-year 2023 average of 8.3x EV/EBITDA and the five-year (2019–2023) average of 8.9x EV/EBITDA. This rise has been driven by buyers increasingly shifting their focus to higher margin, niche businesses.

The shift to optimize portfolios towards higher-value products and services on the value chain has been witnessed in recent strategy realignments by large public players including Reliance (NYSE:RS) and Worthington Industries (NYSE:WOR). Of note, Reliance, North America’s largest diversified metals service center, has rebranded to drop Steel & Aluminum from its name and align itself with its “More than Metal” strategy. “Retaining ‘Steel & Aluminum’ in our corporate name has limited the perception of our company because Reliance is so much more than metal. We are a family of companies committed to providing diversified metals solutions and increasing levels of value to our customers, opportunities to our employees and returns to our stockholders,” said Karla Lewis, Reliance President and CEO, according to a press release.⁹ This change has signaled a push for diversity in metals mix amid an aggressive acquisition program. Reliance has made two acquisitions YTD with the recent transactions of MidWest Materials (April, undisclosed) and American Alloy Steel (February, undisclosed) to be immediately accretive to the company’s offerings. MidWest Materials is a premier flat-rolled steel service center primarily servicing North American OEMs while American Alloy is a leading distributor of specialty carbon and alloy steel plate and round bar, including pressure vessel quality (PVQ) material.

Additionally, Worthington has separated into Worthington Enterprises (trading under the previous ticker), which will include the company’s Building Products, Consumer Products, and Sustainable Energy Solutions segments (December 2023). Meanwhile, Worthington Steel (NYSE:WS) will contain the Steel Processing business. “The word Enterprises is most often associated with entrepreneurial ventures—and that is who we are at Worthington Enterprises. We are entrepreneurs, designers, manufacturers, and acquirers of innovative brands and products in attractive end markets,” commented Andy Rose, President and CEO of Worthington Industries, according to a press release.¹⁰ Since the spin-off, Worthington Enterprises has acquired liquified petroleum gas (LPG) cylinder manufacturer, Hexagon Regasco (May, \$99.3 million), and outdoor cooking products developer, Halo Products (February, \$11.7 million, 1.7x EV/Revenue)—two higher margin, niche businesses. In addition, Worthington Steel acquired German-based steel automotive components manufacturer, Voestalpine (December 2023, \$21.9 million).

Metals Manufacturing M&A Volume Slows as Buyers Await Improved Market Conditions



Year-to-date (YTD) ended May 10
Source: Capital IQ, FactSet, PitchBook, and Capstone Partners

NUCOR DEMONSTRATES VERTICAL DIVERSIFICATION



Ticker: NYSE:NUE

Headquarters: Charlotte, North Carolina

Segment: Metals Production

Markets: Steel

LTM Revenue: \$34.1 Billion

Market Capitalization: \$41.0 Billion

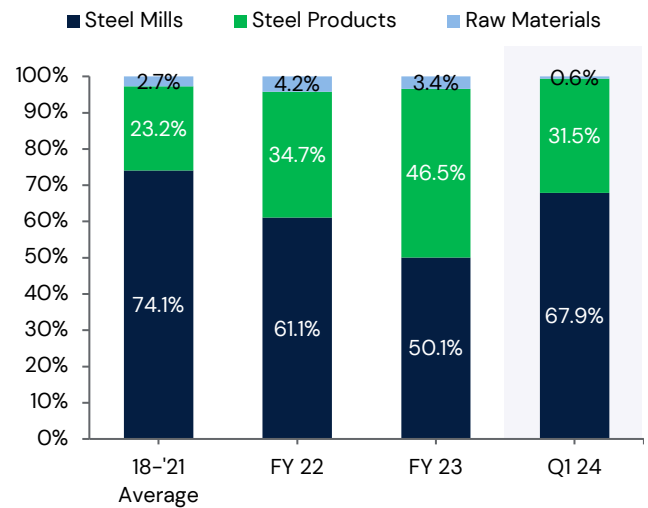
Company Description

Founded in 1905, Nucor is the largest steel producer in the U.S. and the largest recycler of scrap in North America, with annual production of 21.2 Mt, according to the World Steel Association.¹¹ The company is also one of two primary suppliers of rebar used to reinforce concrete in buildings, bridges, roads, and other infrastructure in the U.S.

Nucor’s North American steel mills experienced slowing revenue growth in 2023, while margins were supported by its Value-Added Services and Finished Product segments. Nucor has seen a 6.6% revenue decline YOY, with shipping volumes down double-digits, according to its Q1 earnings call. Steel-focused megatrends (rebuild, repower, and reshore) are each supported by legislation and Nucor is positioned to capitalize on these drivers, according to a Q3 2023 earnings presentation.¹²

Nucor 2018–Q1 2024 Earnings Mix

(Percent of Profit Before Tax)



Source: Capital IQ and Capstone Partners

Nucor has looked to further decrease revenue cyclicality from steel price fluctuations and expand its margin profile. The shift to diversification can be attributed to Nucor’s acquisition program, focused on its Steel Product segment, having deployed more than \$3 billion since 2022. The Steel Products segment has grown significantly, with profit margins rising from 23.2% on average from 2018–2021 to 46.5% in full-year 2023. Meanwhile its Steel Mills segment earnings fell 18% YOY to its lowest level in 2023.

Acquisition Activity

Nucor has increasingly taken action to diversify services and product offerings aligned with high-growth sectors, targeting steel-adjacent growth trends. Of note, Nucor entered the rapidly growing Data Infrastructure market with its April 2024 acquisition of Southwest Data Products (SWDP), a manufacturer and installer of data center infrastructure for \$115 million. Through the acquisition, Nucor simultaneously launched Nucor Data Systems. The transaction has positioned Nucor as a dominant supplier to many of the U.S.’ largest and most innovative hyperscale cloud and colocation data center operators. This deal also creates a number of synergies with Nucor’s core steelmaking business, leveraging its resources to provide SWDP with raw materials such as sheet steel, steel tubing, and wire mesh. “The SWDP acquisition furthers our expand beyond strategy to invest in steel centric businesses that operate outside of the cyclical nature of steel production,” said Chad Utermark, Executive Vice President of New Markets and Innovation at Nucor, according to a press release.¹³ Nucor has also moved downstream with the acquisitions of two fabricated residential and commercial garage door manufacturers: Rytex (June 2024, \$565.0 million) and C.H.I. Overhead Doors (May 2022, \$2.8 billion), and Summit Utility Structures, a tubular steel pole manufacturer (June 2022, undisclosed).

RYERSON & METALS PROCESSORS MOVE UP THE VALUE CHAIN



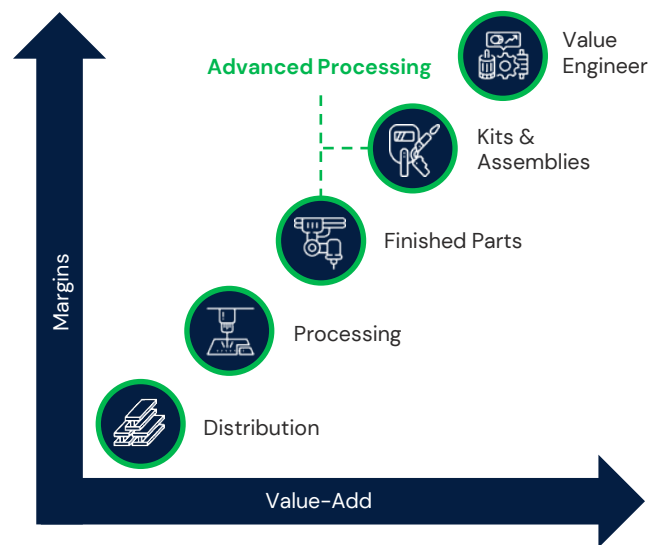
Ticker: NYSE:RYI
Headquarters: Chicago, Illinois
Segment: Metals Processing
Markets: Steel
LTM Revenue: \$4.9 Billion
Market Capitalization: \$835 Million

Company Description

Ryerson (NYSE:RYI) is a leading value-added processor and distributor of industrial metals with operations in the U.S., Canada, Mexico, and China. Through YTD 2024, Ryerson has invested in the modernization, integration, and expansion of its network of interconnected intelligent service centers, expanding facilities across the Midwest and completing four acquisitions.

In 2023, Ryerson invested \$260 million in capital expenditures and acquisitions, building off \$162 million invested in fixed assets and acquisitions in 2022, according to its annual report. In doing so, Ryerson has sought to move its metal services centers up the value chain into advanced processing. The development its of Finished Parts and Kits & Assembly segments has helped Ryerson expand into targeted end-markets including EVs and Industrial Machinery.

Metals Value Chain



Source: Capstone Partners

Capstone expects heightened M&A activity in the Metals space as buyers seek improved margins. “As we complete this investment cycle in 2024 and move to and through the integration and optimization phase, we expect to see fundamentals of inventory service-levels, lead-times and on time-delivery improve significantly,” said President and CEO of Ryerson, Eddie Lehner, according to the annual report.

Acquisition Activity

Ryerson has continued to demonstrate its commitment to capital expenditures and moving up the value chain through inorganic growth, completing four acquisitions in 2023. In December, Ryerson acquired Hudson Tool Steel, a supplier of tool steels and high-speed, carbon, and alloy steels for an enterprise value of \$19.4 million. The acquisition of Hudson followed three other transactions throughout the year—TSA Processing, a stainless steel and aluminum coil and sheet processor, with six locations across the Midwest and Southern U.S. (November, \$37.7 million); Norlen, a full-service stamping, machining, painting, and metal fabricator (October, undisclosed); and BLP Holdings, a consortium of three divisions based out of Houston, Texas: Absolute Metal Products, Metal Cutting Specialists, and Houston Water Jet, serving industries including Oil & Gas, Aerospace, Telecommunications, and Structural Fabrication (March, undisclosed). “BLP and its divisions offer advanced processing solutions aligned with our commitment to growing our high-margin, value-added business. Our investment in BLP provides an opportunity to further diversify our offerings, including additional toll processing services, as we strengthen the capabilities of our Ryerson service-center network,” commented Alan Singleton, Ryerson’s President of the West Region., according to a press release.¹⁴

MAYVILLE ENGINEERING LEVERAGES KEY OEM RELATIONSHIPS



Ticker: NYSE:MEC

Headquarters: Milwaukee, Wisconsin

Segment: Metals Fabrication

Markets: Industrial Machinery

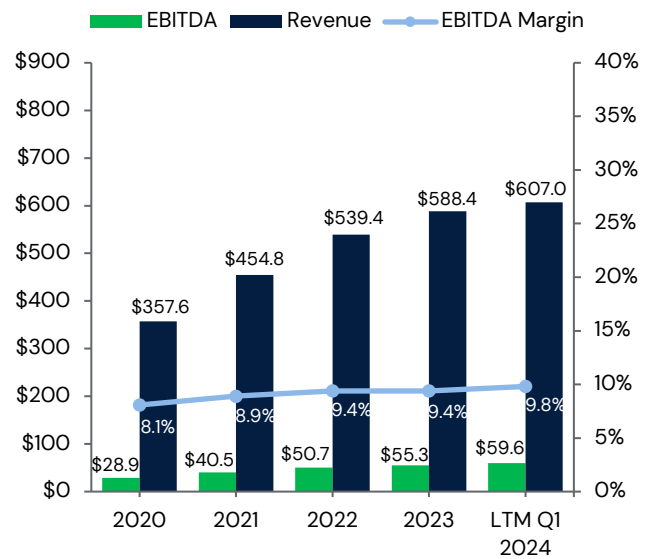
LTM Revenue: \$607 Million

Market Capitalization: \$321.9 Million

Company Description

Mayville Engineering Company (NYSE:MEC) is the largest vertically integrated, value-added provider of custom design, prototyping, and fabrication services in the U.S. MEC has established its MEC Business Excellence framework (MBX), which emphasizes five distinct characteristics—high performance culture, operational excellence, commercial expansion, disciplined capital deployment, and human resource optimization, looking to capitalize on rising trends in the Fabrication sector. Recently, strategic partnerships between key suppliers and original equipment manufacturers (OEMs) have expanded. Contract manufacturers have been an integrated essential partner to OEMs, with MEC demonstrating several long-lasting relationships with large names such as Honda (TSE:7267), John Deere (NYSE:DE), and Polaris (NYSE:PII).

MEC Margin Expansion Year-over-Year



Source: Capital IQ and Capstone Partners

Additionally, rapid technology advancements and digital adoptions have driven margin growth and productivity gains for MEC in an era of rising costs, labor constraints, and increased demand from reshoring. Automation implementation costs have significantly declined in recent years, leading to greater ease of access for shops of all sizes and better return on investment. Automation investments can also mitigate labor challenges and shorten cycle times.

Acquisition Activity

In June 2023, MEC announced its acquisition of Mid-States Aluminum (MSA) for \$96.8 million, equivalent to 1.1x EV/Revenue and 6.1x EV/EBITDA. Headquartered in Wisconsin, MSA operates two manufacturing facilities, utilizing 325,000 square feet of manufacturing space and offering services such as design, engineering, extrusion, finishing, anodizing, and packaging. Among MSA's largest customers are John Deere and Krueger, with limited overlap in capabilities between the two companies allowing for cross-selling opportunities. The transaction has demonstrated the prioritization of its MBX framework and a desire for manufacturers to move up the value chain as the acquisition brings a high-margin (18% adjusted EBITDA margin) book of business to MEC, according to a press release.¹⁵ "Customer demand for fabrications expertise within aluminum and other lightweight materials continues to increase. The addition of MSA will position us to grow our share-of-wallet with existing accounts, while building leading market positions within nascent, high-potential industries that require the full lifecycle of solutions that we offer. During the next three years, we anticipate significant synergies to result from this transaction, consistent with our long-term focus on margin expansion and profitable growth," said Jagadeesh Reddy, President and CEO of MEC, in the press release.

U.S. STEEL ACQUISITION FACES UPHILL BATTLE FOR APPROVAL



Japan's largest steelmaker and one of the world's leading steel manufacturers **Nippon Steel Corporation (TSE:5401)** has announced the acquisition of **U.S. Steel (NYSE:X)** via subsidiary **Nippon Steel North America**, for an enterprise value of **\$15 billion, equivalent to 0.8x EV/Revenue and 6.7x EV/EBITDA (December)**. U.S. Steel is a large-scale steel producer with competitive advantages in low-cost iron ore, mill steelmaking, and finishing capabilities. The deal has faced scrutiny from the United Steelworkers union (USW) and politicians on both sides of the aisle. In order to close, the deal needs approval from both the Department of Justice (DOJ) and the Committee on Foreign Investment in the United States (CFIUS). Prominent voices have spoken out against the deal such as Cleveland-Cliffs CEO Lourenco Goncalves and President Biden. "It is important that we maintain strong American steel companies powered by American steel workers," Biden noted in a March White House Statement.¹⁶ "I told our steel workers I have their backs, and I meant it. U.S. Steel has been an iconic American steel company for more than a century, and it is vital for it to remain an American steel company that is domestically owned and operated," said President Biden, according to The White House.

Valuation Insight

- The purchase price of \$55.00 per share represents a 40% premium to U.S. Steel's closing stock price as of December 15, 2023, and a 142% premium to the August 11, 2023, closing price in which Cleveland-Cliffs offered \$35 per share, according to a press release.¹⁷ Several other sector leaders had submitted bids before U.S. Steel accepted Nippon's offer.
- The transaction aligns with Nippon's global strategy of overseas expansion, entering markets in which steel demand growth, integrated steel mill development, and brownfield production bases offer opportunity. Nippon has sought to diversify its global footprint into three primary geographies: Asia, India, and the U.S.
- The Infrastructure Bill and government spending are expected to act as a catalyst for booming domestic supply demand that currently outpaces that of domestic supply capacity (81 Mt per year of demand versus 95 Mt per year), according to a deal presentation.¹⁸ The demand is expected to be supported by U.S. population growth. The U.S. is the only Western country whose population is expected to grow YOY, forecasted to rise to 370 million by 2080, according to the U.S. Census Bureau.¹⁹

Sector Implications

- The deal highlights the transition towards greener technological implementations and sustainable practices within the Steel sector. U.S. Steel is a proven innovator in energy efficiency and recycling, with Big River Steel operating one of the most advanced, state-of-the-art sustainable mills in North America. Similarly, Nippon has made investments to reduce carbon emissions and kickstart innovation within the Steel sector.
- In 2023, China Baowu Steel Group dominated the Steel sector, producing 130.8 Mt of steel annually, while Nippon and U.S. Steel produced 43.7 Mt and 15.8 Mt respectively, according to the World Steel Association. Through the acquisition, Nippon's annual production would jump to second among all steel companies and provide Nippon with global market share, capitalizing on worldwide demand for steel.
- Approval for the deal could set several industry precedents—strengthen foreign relations, foster international collaboration, and increase direct foreign investments, according to the Council on Foreign Relations (CFR).²⁰ Additionally, CFR noted that blocking the acquisition may weaken efforts to revitalize American manufacturing and damage long-term economic investments.

SELECT M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise	EV/LTM	
				Value (mm)	Revenue	EBITDA
05/09/24	Atek Metal Technologies	Wisconsin Aluminum Foundry	Supplies aluminum castings for various industries.	-	-	-
05/02/24	AFP Metals Products	Vorteq Coil Finishers	Manufactures pre painted steel and aluminum coils.	-	-	-
05/02/24	Performix	Opta Group	Distributes metallurgical additives to the Steel and Foundry industries.	-	-	-
04/22/24	Nehring Electrical Works	Mueller Industries (NYSE:MLI)	Manufactures wire and cable products.	\$600.0	1.5x	-
04/04/24	Toledo Shredding	OmniSource	Comprises scrap shredding, torching, and shearing business.	-	-	-
04/03/24	Bailey-Hunt	CertainTeed Canada	Engages in the operation of blast furnaces and steel mills.	\$648.1	1.7x	9.6x
04/02/24	Advance Engineered Products	TerraVest (TSX:TVK)	Manufactures bulk tanks and equipment.	-	-	-
04/02/24	MidWest Materials	Reliance (NYSE:RS)	Processes carbon flat rolled steel.	-	-	-
04/01/24	Southwest Data Products	Nucor (NYSE:NUE)	Manufactures telecommunications and data cabinets, racks, and accessories.	\$115.0	-	-
03/21/24	Acier Pacifique	Varsteel	Produces reinforcing steel.	-	-	-
02/14/24	American Alloy Steel	Reliance (NYSE:RS)	Supplies alloy steel and carbon plates.	-	-	-
02/02/24	Cooksey Iron & Metal	Metals USA	Distributes finished steel products such as tubing, beams, plates, and bars.	-	-	-
01/25/24	Merrill Technologies	Arlington Management	Provides contract manufacturing services.	-	-	-
01/11/24	Hynes Industries	Crossplane Capital Management	Offers customized metal solutions.	-	-	-
01/09/24	Capital Steel Service	V & S Schuler Engineering	Manufactures custom structural and utility steel fabricated products.	\$7.5	0.9x	-
12/20/23	Stark Metal Sales	Pennsylvania Steel	Operates a steel service center.	-	-	-
12/18/23	US Steel (NYSE:X)	Nippon Steel (TSE:5401)	Produces flat-rolled and tubular steel products.	\$14,997.9	0.8x	6.7x
12/04/23	Hudson Tool Steel	Ryerson (NYSE:RYI)	Supplies tool steels, high-speed steels, carbon steels, and alloy steels.	-	-	-
11/09/23	Abington Reldan Metals	Sibanye Stillwater	Refines end-of-life material to recover precious metals.	\$155.4	0.4x	3.7x
11/01/23	TSA Processing	Ryerson (NYSE:RYI)	Provides stainless and aluminum processing services.	-	-	-
11/01/23	Highland Tank & Manufacturing	TerraVest (TSX:TVK)	Manufactures fuel and chemical storage tanks.	\$78.0	-	-
10/16/23	Garden Street Iron & Metal	River Metals Recycling	Comprises metal scrap processing business.	-	-	-
10/02/23	Central Tube and Bar	Olympic Steel (Nasdaq:ZEUS)	Manufactures tube and bar products.	\$37.8	0.9x	-

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

PUBLIC COMPANY DATA: METALS PRODUCTION

Company	Price 05/20/24	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM		
					Revenue	EBITDA	Margin	Revenue	EBITDA	
Algoma Steel Group Inc.	\$7.95	77.6%	\$827.8	\$874.2	\$2,160.0	\$196.4	9.1%	0.4x	4.5x	
Cleveland-Cliffs Inc.	\$17.51	76.2%	\$8,325.6	\$12,289.6	\$21,900.0	\$2,317.0	10.6%	0.6x	5.3x	
Commercial Metals Company	\$57.60	96.3%	\$6,664.8	\$7,188.6	\$8,405.6	\$1,190.6	14.2%	0.9x	6.0x	
Metallus Inc.	\$23.34	96.0%	\$1,023.7	\$768.9	\$1,360.5	\$138.6	10.2%	0.6x	5.5x	
Nucor Corporation	\$172.12	84.8%	\$41,267.8	\$43,612.1	\$34,140.6	\$7,057.7	20.7%	1.3x	6.2x	
Steel Dynamics, Inc.	\$133.93	88.5%	\$21,044.8	\$22,365.5	\$18,596.1	\$3,580.5	19.3%	1.2x	6.2x	
United States Steel Corporation	\$35.91	71.5%	\$8,074.3	\$10,293.3	\$17,743.0	\$1,911.5	10.8%	0.6x	5.4x	
							Mean	13.5%	0.8x	5.6x
							Median	10.8%	0.6x	5.5x
							Harmonic Mean	12.4%	0.7x	5.5x

EV = enterprise value; LTM = last twelve months
\$ in millions, except per share data
NM = Not Meaningful

PUBLIC COMPANY DATA: METALS PROCESSING

Company	Price 05/20/24	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM		
					Revenue	EBITDA	Margin	Revenue	EBITDA	
Klöckner & Co SE	\$6.94	67.9%	\$692.3	\$1,554.7	\$7,394.6	\$139.0	1.9%	0.2x	11.2x	
Olympic Steel, Inc.	\$53.12	72.3%	\$591.4	\$814.3	\$2,111.7	\$123.4	5.8%	0.4x	6.6x	
Radius Recycling, Inc.	\$18.89	51.6%	\$528.6	\$1,010.1	\$2,821.5	\$103.9	3.7%	0.4x	9.7x	
Reliance, Inc.	\$298.37	87.2%	\$17,134.4	\$17,586.8	\$14,485.4	\$1,965.9	13.6%	1.2x	8.9x	
Russel Metals Inc.	\$28.61	82.1%	\$1,719.1	\$1,610.3	\$3,234.2	\$281.0	8.7%	0.5x	5.7x	
Ryerson Holding Corporation	\$22.95	51.3%	\$788.0	\$1,636.8	\$4,941.8	\$279.2	5.6%	0.3x	5.9x	
Stelco Holdings Inc.	\$31.02	82.6%	\$1,704.9	\$1,796.7	\$2,197.7	\$379.0	17.2%	0.8x	4.7x	
Worthington Steel, Inc.	\$33.50	83.4%	\$1,687.8	\$1,982.0	\$3,403.6	\$343.1	10.1%	0.6x	5.8x	
							Mean	8.3%	0.5x	7.3x
							Median	7.3%	0.4x	6.2x
							Harmonic Mean	5.3%	0.4x	6.8x

EV = enterprise value; LTM = last twelve months
\$ in millions, except per share data
NM = Not Meaningful

Source: Capital IQ and Capstone Partners as of May 20, 2024

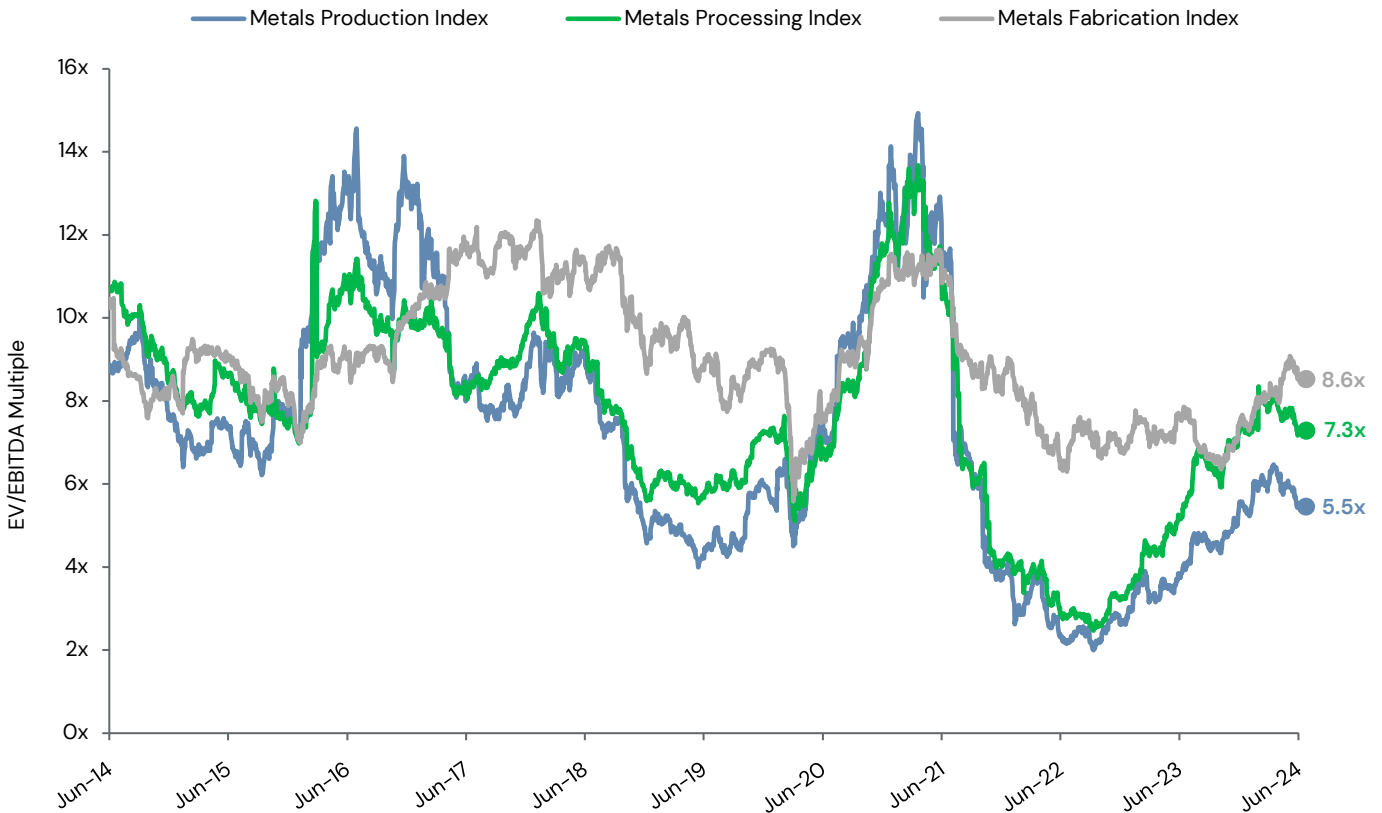
PUBLIC COMPANY DATA: METALS FABRICATION

Company	Price 05/20/24	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
AZZ Inc.	\$76.63	90.7%	\$2,276.1	\$3,482.7	\$1,537.6	\$335.8	21.8%	2.3x	10.4x
Mayville Engineering Company, Inc.	\$15.50	93.7%	\$318.2	\$493.5	\$607.0	\$63.7	10.5%	0.8x	7.7x
Mueller Industries, Inc.	\$57.51	95.4%	\$6,533.0	\$5,233.4	\$3,298.8	\$724.0	21.9%	1.6x	7.2x
NN, Inc.	\$3.33	61.7%	\$166.5	\$447.9	\$483.4	\$41.3	8.5%	0.9x	10.8x
Park-Ohio Holdings Corp.	\$26.97	93.7%	\$332.3	\$994.5	\$1,653.8	\$152.9	9.2%	0.6x	6.5x
SFS Group AG	\$125.38	88.4%	\$4,875.7	\$5,386.4	\$3,689.3	\$567.5	15.4%	1.5x	9.5x
The Timken Company	\$90.63	95.3%	\$6,381.5	\$8,594.1	\$4,696.5	\$920.5	19.6%	1.8x	9.3x

Mean	15.3%	1.4x	8.8x
Median	15.4%	1.5x	9.3x
Harmonic Mean	13.3%	1.1x	8.5x

EV = enterprise value; LTM = last twelve months
 \$ in millions, except per share data
 NM = Not Meaningful

Capstone's Metals Indices Rebound on an EBITDA Multiple Basis

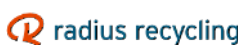


Metals Production Index includes: ASTL, CLF, CMC, MTUS, NUE, STLD, X; Metals Processing Index includes: KCO, RDUS, RS, RUS, RYI, STLC, WS, ZEUS; Metals Fabrication Index includes: AZZ, MEC, MLI, NNBR, PKOH, SFSN, TKR
 Source: Capital IQ and Capstone Partners as of May 20, 2024

BUYER UNIVERSE

Capstone maintains an active presence in the Metals Manufacturing sector with in-depth knowledge of the buyer universe and business characteristics that drive premium valuations in an M&A process. Our sector knowledge and network provide us with unique insights into market trends and buyer preferences.

Leading Strategic Buyers



Source: Capstone Partners

BUYER UNIVERSE (CONTINUED)

Leading Financial Buyers

AMERICAN
INDUSTRIAL
PARTNERS


AMERICAN SECURITIES

 **AMZAK** Capital
Management


ANCHOR
PARTNERS

ARCH[™]

ARGAND

A|C|P

 **BLUEPOINT**
Capital Partners

Charlesbank

CORE
INDUSTRIAL


Crest Rock Partners

Edgewater 
CAPITAL PARTNERS

HBM
HOLDINGS

IGP


INDUSTRIAL
OPPORTUNITY
PARTNERS

THE JORDAN COMPANY

JW HILL CAPITAL

KIAN
CAPITAL

 **LEVINE
LEICHTMAN**
CAPITAL PARTNERS


MANGROVE
EQUITY PARTNERS


MiddleGround Capital

One Equity Partners

P4G
CAPITAL

 **PACIFIC AVENUE**
CAPITAL

PINE ISLAND
CAPITAL PARTNERS

RESILIENCE[®]
CAPITAL PARTNERS

 **Riverside**

 **RVE**
PARTNERS

stellex
CAPITAL MANAGEMENT

TINICUM

T|C|P

TRIVE CAPITAL

 **TRUARC**
PARTNERS

 **VALIDOR**
CAPITAL

WARBURG PINCUS

 **WC WYNNCHURCH | CAPITAL**

Source: Capstone Partners

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Over the course of Mr. Schumacher’s 25-year investment banking career, he has advised, evaluated, and worked with companies and financial sponsors across various industries and sizes. Mr. Schumacher has completed transactions totaling over \$10 billion in value, including debt, equity, and strategic advisory transactions. Mr. Schumacher is Capstone Partners’ lead Metals Manufacturing banker and has covered metals for more than 15 years, closing transactions of \$2.0 billion in value over that time, in the following metals spaces: Metal Fabrication; Precision Machining; Engineered Components; Specialty Metal Forging; Specialty Metals Machining; Specialty Metals Recycling; Aluminum Flat-Rolled Products; Copper Wire & Cable Extruding; Zinc Die Casting; Zinc Metals Fabrication & Recycling; and Metallurgical Coal. Mr. Schumacher began covering metals at Morgan Stanley in 2007 in New York as a Vice President. In 2008, he covered the ferrous chain from Hong Kong for Morgan Stanley, namely Chinese steel producers, given he speaks Mandarin Chinese fluently. Since then, he continues to cover all aspects of the metals value chain and transact year in and year out.



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John joined Capstone Partners in 2022 and currently serves as an Associate within the firm’s Corporate Investments Banking Practice in Boston, MA. He is responsible for all aspects of deal execution, including company and financial analysis, material preparation, management presentations, due diligence, and buyer negotiations. Previously, John served as a Manager in Capstone’s Financial Sponsor Coverage Group. Prior to Capstone Partners, John covered financial sponsors at Preqin – a private equity research firm in New York, NY. John graduated with a Bachelor of Business Administration from Roanoke College.



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Neve serves as a Market Intelligence Analyst at Capstone Partners covering the Industrials industry. Prior to joining the firm’s Market Intelligence Team, Neve was an intern at the Bank of New York Mellon and Gray Private Wealth. Neve graduated with a Bachelor’s of Science degree in Finance from Bentley University.



FIRM TRACK RECORD

Capstone Partners has represented a diversified group of Metals Manufacturing sector players on a number of high-profile, benchmark transactions within key industrial segments. Our [Industrials Group](#) has an active market presence in the Metals Products and Services sectors, allowing Capstone to provide metals companies with experienced, up-to-date market data and access to key decision makers among the sector’s active acquirers and investors. Additionally, as a member firm of global investment banking platform [IMAP](#) (International M&A Partners), Capstone has a vast international reach and relationships to present clients to the global marketplace in a seamless, integrated fashion.



Domestic Transactions*



International Transactions**




\$210 MILLION DEBT PLACEMENT




\$175 MILLION PROJECT FINANCING



HAS BEEN ACQUIRED BY

HAS BEEN ACQUIRED BY




\$125 MILLION RECAPITALIZATION



A subsidiary of



HAS BEEN ACQUIRED BY




HAS BEEN ACQUIRED BY




\$1.3 BILLION IPO



HAS BEEN ACQUIRED BY



WYNNCHURCH | CAPITAL



A PORTFOLIO COMPANY OF



HAS BEEN ACQUIRED BY




HAS BEEN ACQUIRED BY



Dutch Manufacturing Companies

* indicates deals completed by Capstone Partners and Capstone Partners professionals on other platforms
 ** indicates IMAP advised transactions

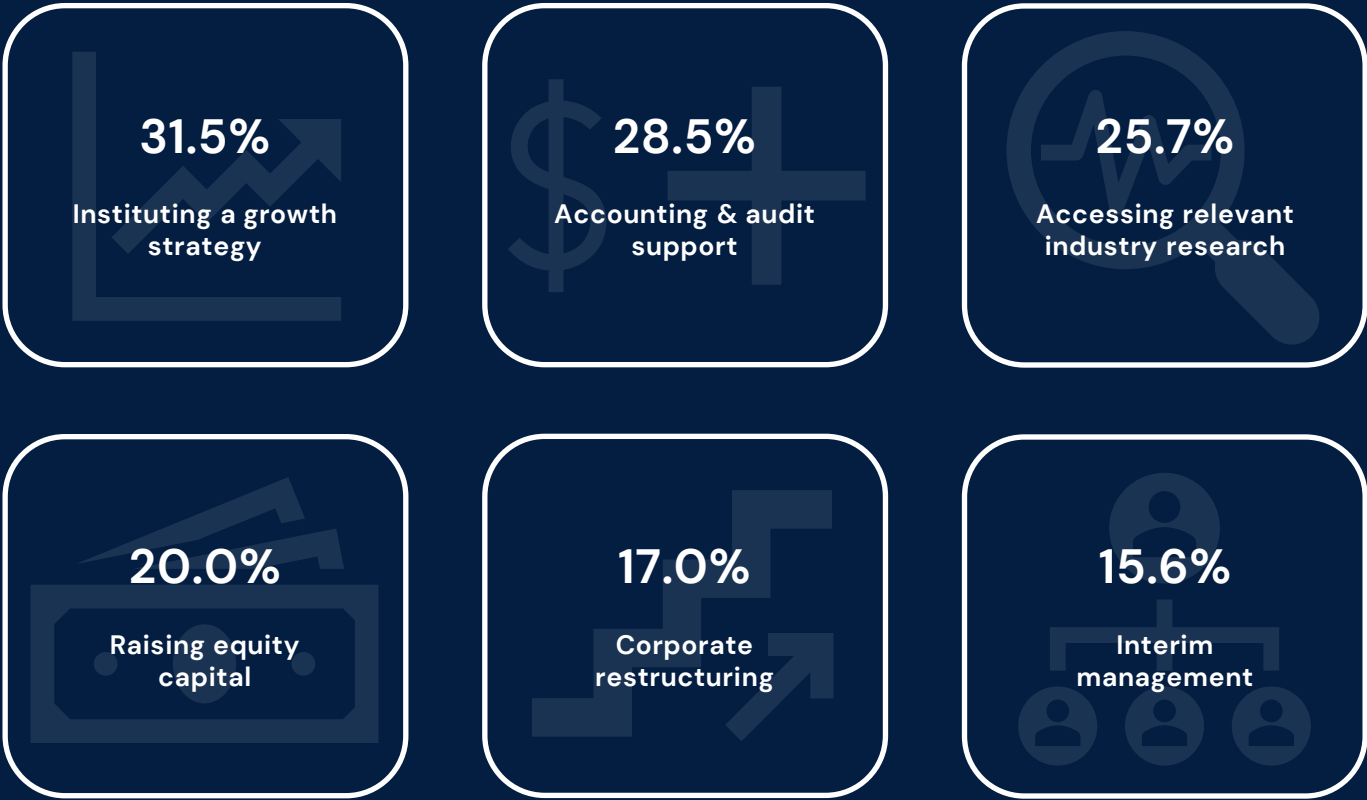


CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The current stage and initiatives of a business often dictates which financial services are in demand. As the majority of CEOs polled in Capstone’s 2023 Middle Market Business Owners Survey indicated growth strategies are a priority for 2024, the lion’s share (31.5%) of owners anticipate a need for growth strategy support services. Similarly, 28.5% of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, more than one-fourth of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed a specialty consulting practice to provide financial advisory services to companies experiencing distress or performance challenges. All of these capabilities are supported by 16 industry groups, an active sponsor coverage group, and a dedicated market intelligence team.

Top Financial Services Required by Business Owners in 2024



Question: Have you ever had, or do you anticipate having, a need for any of the following services?
Source: Capstone Partners’ Middle Market Business Owner Survey, Total Sample Size (N): 435



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Disclosure

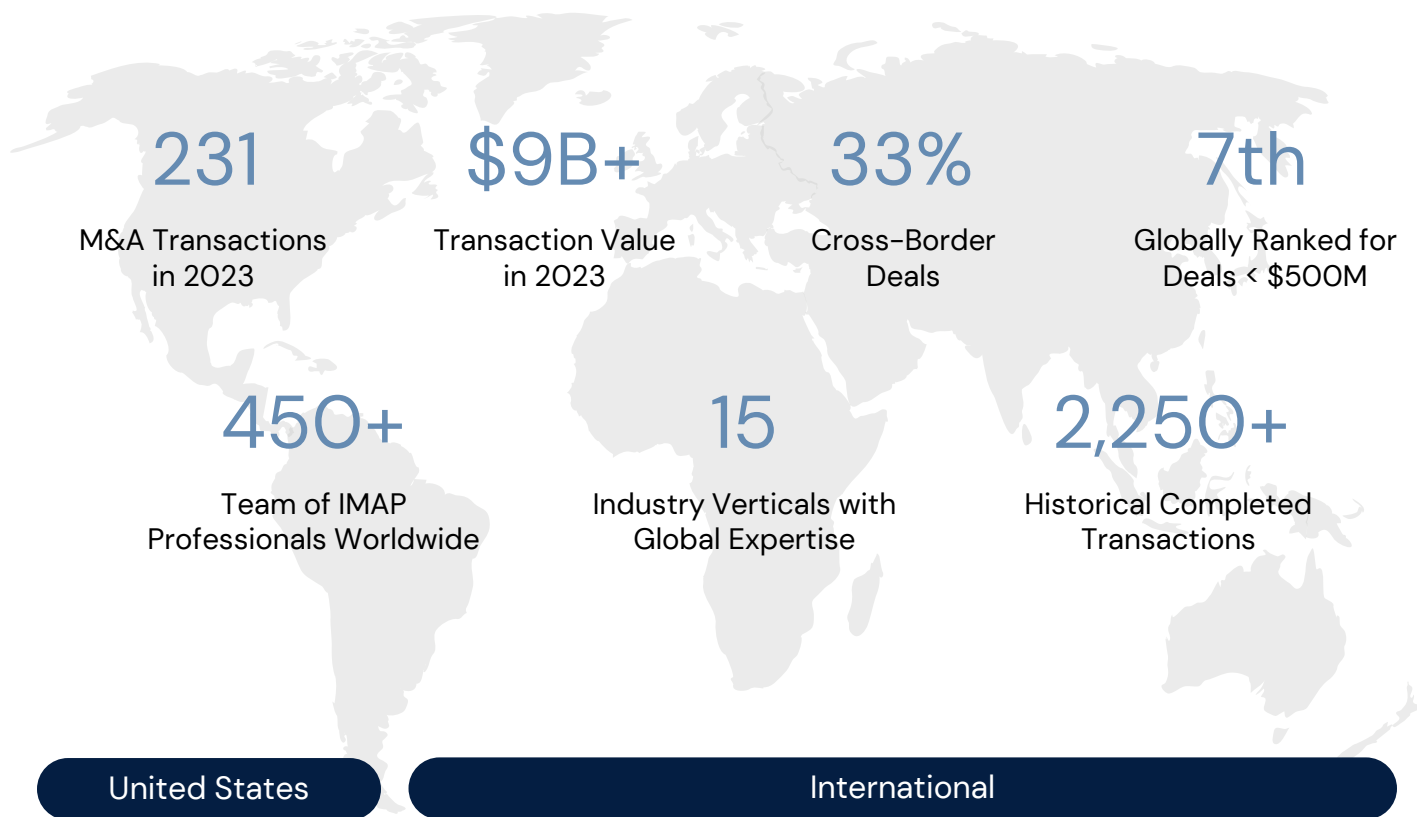
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CAPSTONE PARTNERS

Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ professionals across 41 countries.



~200 professionals
8 offices

Boston · Denver · Chicago · Dallas
Detroit · Irvine · New York · Tampa

450+ professionals
60+ offices in 41 countries

Asia: China · India · Japan · Thailand
Africa: Congo · Egypt · Ghana · Mauritius · Morocco · Senegal · South Africa
Americas: Toronto · Vancouver · Argentina · Brazil · Chile · Colombia · Mexico · Paraguay · Peru
Europe: Belgium · Bosnia & Herzegovina · Croatia · Czech Republic · Finland · France · Germany
Hungary · Ireland · Italy · Netherlands · Poland · Portugal · Romania · Serbia · Slovakia · Slovenia
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