



CIBC CLEARY GULL

FOUNDRY & FORGING NEWSLETTER

Q1 2022



CIBC Cleary Gull: Experience and Expertise

The foundry industry is a sub-sector focus for CIBC Cleary Gull's Investment Banking Team. Our group recently completed its 14th foundry and forging transaction since 2006. CIBC Cleary Gull also has an active foundry assignment scheduled for completion in 2022. We have extensive experience in the industry, including grey and ductile iron, aluminum, steel and stainless steel, and brass and bronze. We have worked with entrepreneurs, private equity-owned companies, and corporate divestitures. Our team has successfully navigated situations where current management plans range from immediate retirement at closing to a lengthy career in the industry. CIBC Cleary Gull repeatedly calls on over 250 manufacturing focused private equity firms and frequently interacts with relevant strategic buyers in the industry.

CIBC Cleary Gull Industrials Sector Focus

Relevant experience with multiple foundry and forging deals throughout the Midwest and across the country (CA, AL, TN) and internationally to Mexico and Canada



Foundry & Forging



Building Products & Materials



Manufacturing & Fabrications



Automation



Transportation & Logistics



Engineered Products



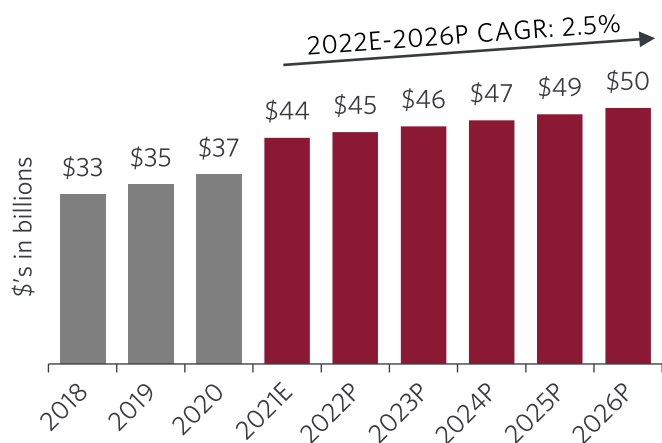
Facility & Infrastructure Services

Growing Demand Amidst Industry Consolidation

The U.S. casting industry is projected to grow sales from \$36.8 billion in 2020 to \$44.0 billion in 2021, according to the American Foundry Society. The increase of 19.7% in 2021 was driven in part due to the difficult COVID-impacted 2020. The industry has continued its long-term expansion producing \$33.0 billion in sales in 2018. The continued growth in sales is happening in concert with considerable consolidation in terms of the number of facilities. The number of facilities decreased from 2,950 in 2000 to 1,961 in 2016, and to 1,750 in 2021. Industry participants have left the market due to inefficiencies or acquisitions, and the number of facilities will continue to decrease.

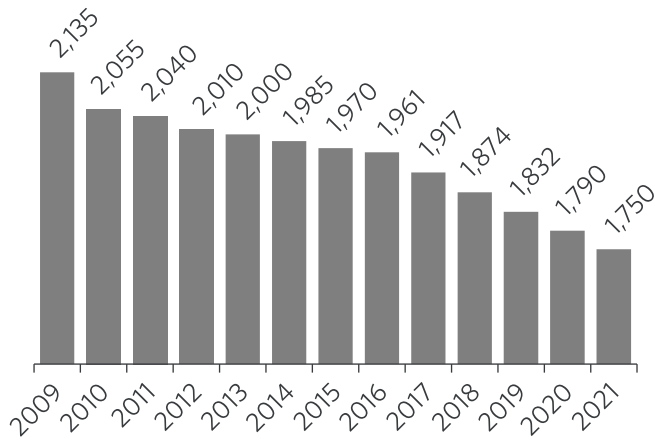
Foundries are producing more on a facility basis and that is occurring through expansion and efficiency initiatives. Industry trends drive many factors, including the advantages of scale. Large foundry operations can absorb fixed overhead and regulatory costs better than smaller ones. In general, larger foundries benefit from greater purchasing power, enjoy earnings stability through diversification by industry and customer, and can use resources more effectively by flexing or redeploying them with demand. Although many small foundries still exist, they are rapidly being acquired.

Metal Casting Industry Growth



Source: American Foundry Society & IBIS World Reports

Number Of Domestic Metal Casting Facilities



Source: American Foundry Society & IBIS World Reports

Investment Highlights

- Greater operating leverage, purchasing power, and strong management resources to better serve customers and become a stronger competitor in the industry
- State-of-the-art forging assets provide Milwaukee Forge the best equipment and backup resources
- Necessary transition services are provided through a negotiated agreement during the winding down of operations and consolidation of production into the existing operations at Milwaukee Forge
- Removal or reduction of non-profitable platforms at the target
- Increased diversification by end market and customer
- Eliminates or reduces redundant costs, overhead, and services
- Additional labor resources for Milwaukee Forge to support the incremental work

Most Recent Transaction



Milwaukee Forge has acquired Mercer Forge an operation of Neenah Foundry. CIBC Cleary Gull acted as exclusive financial advisor to Milwaukee Forge in this transaction.

Selected Foundry, Forging, and Machining Transactions

<p>DALTON</p> <p>has been acquired by</p> <p>BECKNER CLEVY PARTNERS</p> <p>and</p> <p>SPEYSIDE EQUITY</p>	<p>NEI NEENAH ENTERPRISES, INC.</p> <p>has acquired an</p> <p><i>International Division</i></p>	<p>PS PACIFIC STEEL CASTING COMPANY</p> <p>has been acquired by</p> <p>SPEYSIDE EQUITY</p>	<p><i>Waukesha</i> EST. 1912</p> <p>a portfolio company of</p> <p>FCF Partners, LP</p> <p>has been acquired by</p> <p>UNITED STARS, INC.</p>	<p>Lee Brass</p> <p>a portfolio company of</p> <p>MCM</p> <p>has been acquired by an affiliate of</p> <p>THE RESERVE GROUP</p>
<p>AARROWCAST INC. HIGH QUALITY GRAY AND DUCTILE CASTINGS</p> <p>has been acquired by</p> <p>J.H. WHITNEY & CO.</p> <p>and</p> <p>Cornerstone Capital Partners</p>	<p>pmt Industries, LLC</p> <p>a portfolio company of</p> <p>AAVIN PRIVATE EQUITY</p> <p>has been acquired by</p> <p>WALKER GROUP</p>	<p>STAINLESS FOUNDRY & ENGINEERING, INC.</p> <p>has been acquired by</p> <p>TMB INDUSTRIES</p>	<p>GREDE™ Casting Integrity</p> <p>has secured</p> <p>\$125,000,000 Debt Financing</p>	<p>ICC Technologies, LLC</p> <p>a portfolio company of</p> <p>Lewis & Clark Private Equities, LP</p> <p>has been acquired by</p> <p>PRINCE MINERALS™ a portfolio company of Palladium EQUITY PARTNERS</p>
<p>S</p> <p>Schaefer Equipment, Inc. a portfolio company of Cedar Creek Partners LLC.</p> <p>has been acquired by</p> <p>Wabtec CORPORATION</p>	<p>MicroConnex</p> <p>has been acquired by</p> <p>CARLISLE</p>	<p>ST SWISS-TECH, LLC</p> <p>has been acquired by</p> <p>CORNERSTONE INDUSTRIAL GROUP, LLC</p> <p>in partnership with management</p>	<p>GLOBAL PRECISION PRODUCTS, LLC Precision Machining That Makes a World of Difference</p> <p>has been acquired by</p> <p>TOUCHPOINT CAPITAL PARTNERS</p> <p>and</p> <p>FIRST CAPITAL PARTNERS</p>	<p>DRT DRT Holdings, Inc.</p> <p>has acquired</p> <p><i>BNB Mfg. Co.</i></p>
<p>HI-TECH Manufacturing, LLC</p> <p>a portfolio company of</p> <p>Longview Capital Partners</p> <p>has been acquired by</p> <p>MAY RIVER CAPITAL</p> <p>THE POHLAD COMPANIES YUKON PARTNERS</p>	<p><i>Fulton</i></p> <p>has been acquired by</p> <p>UNITED FLEXIBLE a portfolio company of</p> <p>ACP</p>	<p>Red Head Brass, LLC</p> <p>a portfolio company of</p> <p>Guard Hill Holdings</p> <p>has been acquired by</p> <p>D'ORAZIO CAPITAL PARTNERS, LLC FNB Capital Partners</p>	<p>STANDARD</p> <p>a portfolio company of</p> <p>CFB and Centerfield Capital</p> <p>has been acquired by</p> <p>IGH</p> <p>a portfolio company of</p> <p>DUNES POINT CAPITAL</p>	<p>THE FREEMAN COMPANY WORLD CLASS AEROSPACE MANUFACTURING</p> <p>a portfolio company of</p> <p>MACC PEI Liquidating Trust NDSBIC, LP</p> <p>and</p> <p>JLL Partners</p> <p>has been acquired by</p> <p>PINE CREEK PARTNERS</p>

Newsletter Feature Topic - Addressing the Large and Growing Labor Shortage Through Automation and Cross-Training

Automation

To keep up with demand, industrial manufacturing companies are increasingly relying on automation to compensate for the large and growing labor shortage. The U.S. manufacturing sector, which includes the foundry and forging industries, currently has more than 500,000 jobs vacant. According to a study by Deloitte and The Manufacturing Institute, the number of unfilled manufacturing jobs in the U.S. is expected to increase to 2.1 million by 2030. Part of the reason for this shortfall is that experienced workers are leaving the industry in droves. The Society of Human Resource Management predicts that 27% of manufacturing workers will retire over the next 10 years, along with their specialized skills and vast industry knowledge.

To combat the existing and expected labor shortfall, manufacturers' have increased the use and intensity of automation and robotics. Orders of robotic machinery have increased by 37 percent year-over-year, according to the Association for Advancing Automation (A3). "With labor shortages throughout manufacturing, companies of all sizes are increasingly turning to robotics and automation to stay productive and competitive," says Jeff Burnstein, President of A3.

Automation helps small- and medium-size businesses cope with labor shortages, especially when robotics can streamline inefficient tasks. Research shows that automation can have a positive impact on work environments by reducing physically challenging or less desirable tasks and subsequently improving overall worker safety and satisfaction.

Automation can be a driving force to improve efficiency and a competitive advantage. Automating some of the most repetitive steps or tasks in manufacturing operations can also create surplus labor that can be reallocated to other areas where the employee's skillset could be better utilized.

Robotics, sensors, and general automation are also becoming more affordable and there are increasingly more integrators with expertise to assist in determining opportunities, which improves processes and brings a healthy return on the investment. These investments can be important to business owners nearing retirement or simply looking to exit in the next few years as many prospective buyers consider the investments made in technology and automation in assessing desirability and price for acquisition targets.

Cross-Training

Another solution for the skilled labor shortage is a flexible, cross-trained workforce. Cross-training employees has many benefits to the company and the workers.. It is an excellent way to expand the skillset and capabilities of your employees and to give them a broader view of different part of the organization. The workforce becomes more productive and enables management to staff more strategically. The current environment is an ideal time to consider cross-training, given the aging demographic soon to be departing the workforce. Starting a cross training initiative allows companies the opportunity to pair up next generation employees with some of those highly skilled employees retiring in the next few years.

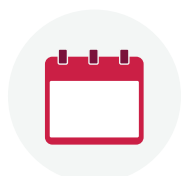
Cross-training also helps employees become more capable of dealing with the swings in demand or product types. Cross-trained staff can react and handle incremental workloads on days when other members are unavailable. Many manufacturers intermittently rely on temporary workers during seasonal fluctuations, requiring hiring and then letting people go when it slows down; however, cross-training may mitigate some of the need for such a move each year. Cross-training can provide a positive opportunity for motivated employees and benefit ownership by better utilizing the available labor through a more productive and flexible overall workforce.



CIBC Cleary Gull Overview

- Nationally recognized U.S. middle market investment banking firm with global reach
- Advise on M&A transactions and capital placements up to \$500 million
- Focus on private companies owned by families, entrepreneurs, business partners, and private equity funds
- Experienced and talented team has completed hundreds of transactions representing billions of transaction value
- Relentless approach to helping make clients' ambitions a reality
- Built on trust and delivering great outcomes

CIBC Cleary Gull by the Numbers



177

Completed Transactions
in Last 5 Years¹



26

Total
Professionals



12

Senior
Banker



5

Focus Industry
Verticals



2

Offices -
Milwaukee and Chicago

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¹ Includes CIBC Cleary Gull and CIBC Capital Markets transactions below \$500 MM of enterprise value.

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