CIBC CAPITAL MARKETS

MACHINING AND FABRICATION MARKET UPDATE

January 2026



Opening remarks

2025 was a challenging year for deal making, but optimism exists for 2nd half of 2026

CIBC US Middle Market Investment Banking is pleased to share its machining and fabrication market update. CIBC has substantial experience in the machining and fabrication sector and maintains a continuous pulse on the market through strategic partnerships and active and completed transactions.

Machining, metalworking, and fabrication businesses continued to attract buyer interest in 2025, but the deal-making pace moderated as tariff uncertainty and end-market bifurcation drove selectivity across the buyer universe.

Premium valuations remain for automated, diversified, well-managed companies with resilient sourcing, pricing power, and engineering-led solutions serving customers in the defense, power generation, and data center end markets.



Defense is still king

Defense demand continues to be a key growth engine as OEMs and Tier 1s work through multi-year backlogs for complex precision machining. The implication is that capacity will continue to prioritize defense and require 5-axis expertise for tighter tolerances and certification-heavy jobs.

Automation levels up

2025 was the year where lights-out manufacturing, palletization, and cobots moved from pilots to programs, as efficiency-driven shops drove wider adoption to increase output and machine utilization. Additionally, AI-enabled CAM and quality systems are getting embedded into mainstream ERPs to drive throughput.

Tariffs are a double-edged sword

Tariffs, the sting of COVID-era supply chain shortages, and national security interests have continued to drive local-production / local consumption models, but raw material prices remained structurally higher, benefiting companies that can quickly pass on material price changes while burdening those locked into fixed-price contracts.

Markets poised for growth

After two years of inventory rationalization, order volumes and backlogs remain below historical averages, and inventory levels are tight across several industries. This backdrop, coupled with the expected recovery of order volumes should lead to growth in 2026.

Let's make a deal!

Private equity platforms remain active and continue to pursue add-on acquisitions to consolidate the defense, data center, and power generation industries that have long-term tailwinds and are highly regulated. Undifferentiated job shops have limited buyer interest and are not trading hands.

CIBC machining and fabrication team

CIBC Machining and Fabrication Team



Ryan Chimenti
Managing Director
ryan.chimenti@cibc.com
414 291-4531



Christopher Larsen
Managing Director
christopher.larsen@cibc.com
414 291-4547



Mike Boedeker
Executive Director
michael.boedeker@cibc.com
414 291-4544



Scott McCarthy
Director
scott.mccarthy@cibc.com
414 615-5492

CIBC Notable Recent Transactions

POWERPARTS GROUP
a portfolio company of
MANGROVE EQUITY PARTNERS
has been acquired by
JLL Partners

ACME INDUSTRIES
has been acquired by
ORG OWNER RESOURCE GROUP

MUTHIC INDUSTRIES, INC.
has been acquired by
LFM capital

LAKE AIR PRODUCTS
a portfolio company of
The Mendota Group · CFB Capital for Business · ALDINE
has been acquired by
P4G CAPITAL

AMEREQUIP
has been acquired by
JMC INVESTMENT

STEELCRAFT
has been acquired by
ARROW
a portfolio company of
KENSINGTON

MicroConnex
has been acquired by
CARLISLE

Steel Craft Corp. · Hartford Finishing Inc · CAPITOL Stampings Corp.
have been acquired by
MiddleGround Capital

TOUCHPOINT CAPITAL PARTNERS
First Capital Partners
have acquired
GLOBAL PRECISION PRODUCTS, LLC
Precision Machining That Makes a World of Difference.

HI-TECH Manufacturing, LLC
a portfolio company of
Longview Capital Partners
has been acquired by
May River Capital · THE POHLAD COMPANIES · YUKON PARTNERS

CIBC

Q4 2025 sell-side transaction announcements

POWERPARTS GROUP
a portfolio company of
MANGROVE EQUITY PARTNERS
has been acquired by
JLL Partners
December 2025

CIBC US Middle Market Investment Banking advises PowerParts Group, LLC, on its sale to JLL Partners

CIBC US Middle Market Investment Banking served as financial advisor to PowerParts Group, a leading aftermarket provider of mission-critical, ultra-high-precision seals and hardware for steam and gas turbines on its sale to JLL Partners. The Company specializes in manufacturing and installing high-precision, custom-fit MRO turbine parts for a diverse customer base of power utilities, OEM MRO divisions, and independent MRO service providers.



ACME INDUSTRIES
has been acquired by
ORG OWNER RESOURCE GROUP
November 2025

CIBC US Middle Market Investment Banking advises ACME Industries, Inc. on its sale to Owner Resource Group

CIBC US Middle Market Investment Banking served as exclusive financial advisor to Acme Industries, a specialty manufacturer of precision-machined parts, on its sale to affiliates of Owner Resource Group. Acme serves blue-chip OEMs across aerospace & defense, data centers, mining, power generation, and construction end markets. The partnership is expected to accelerate Acme's growth and underscores CIBC's expertise in the precision machining sector.



CIBC

A look back... and forward

Theme	2025 Recap	2026 Outlook
Ongoing market contraction	The PMI stayed at a recessionary level, below 50, for 9 of 12 months in 2025 and 32 of the last 36 months.	Order volume is expected to remain below historical norms for the first half of 2026, but optimism exists for an industrial resurgence in the second half of 2026. Continued re- and near-shoring, coupled with increased spending on A&D, data centers, power generation, and infrastructure should provide a foundation for volume expansion. Declining interest rates and stable economic growth should lead to a PMI above 50 towards the middle of the year.
Tariff and trade	The implementation of tariffs caused an initial shock across the supply chain and created immediate uncertainty for manufacturers who had to adapt quickly to remain compliant with fast evolving rule changes.	Tariffs will persist, but less volatility is expected. Nimble manufacturers with good pricing models are passing 100% of costs through the supply chain. Expect local production / local consumption globally to continue, which should lead to an uptick in demand for key OEM supply partners.
Automation	The use of palletization and robot tending continued to expand from deep-pocketed shops to nimble family-owned operators. Lights-out and unattended manufacturing is quickly becoming a "must have" to optimize efficiency and meet shorter lead time demands.	Automation is expected to expand utilizing AI to: reduce downtime through predictive maintenance; enable real-time part inspection and machine tool adjustments for consistent quality; and assist with quoting, costing, and process optimization.
Labor & skills shortage	A shortage of skilled workers constrained throughput and inflated labor costs; turnover slowed as job openings were filled with automation and employee upskilling.	Continued shortages to support growth are leading manufacturers to bolster training programs and partnerships with vocational and high schools, as well as accelerate the pace of investment in automation.
M&A	Low transaction volumes with premium valuations for attractive end markets (defense, data center, power generation); lack of growth and visibility for most end markets slowed exits.	Private equity consolidations remain active and are looking for strategic add-ons with complementary end markets and/or customers in growth markets. Expect an uptick in deals as end market performance and the PMI improves.



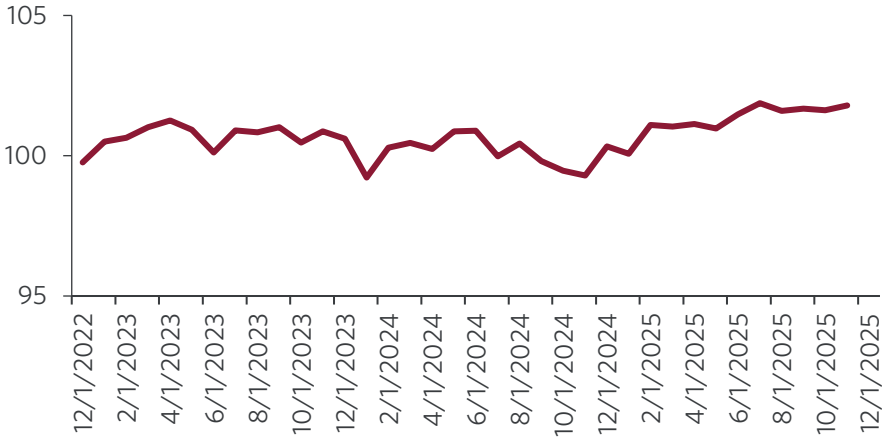



CIBC

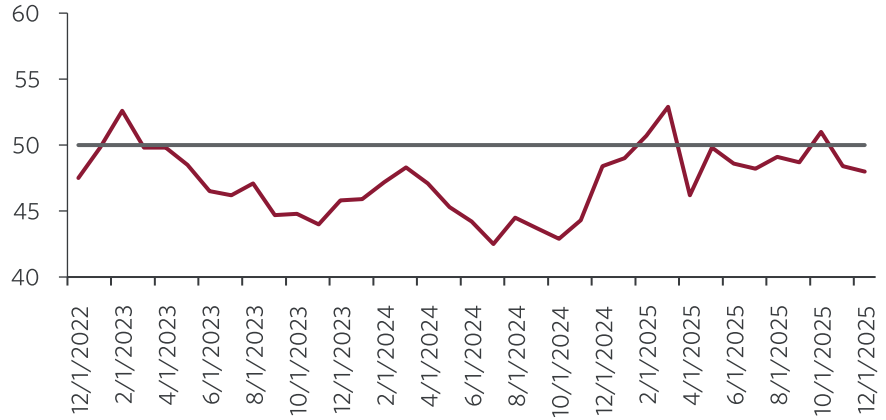
Second half of 2026 should bring stability

- The operating environment heading into 2026 is less volatile than what shops experienced from 2021 to 2025 (COVID supply-chain shocks, panic ordering, inventory rationalization, inflation, and tariff implementation). Order patterns and backlogs are broadly below historical averages, but optimism exists for improvement in 2026.
- Non-precious metal prices and freight prices have settled into a reliable baseline. Metals pricing is more structured; freight and lead times are closer to normal; and quoting is more disciplined, with clearer pass-throughs and fewer surprise surcharges.
- Buyer preference is tilting toward resilient, responsive, local supply. OEMs are prioritizing domestic and nearshore partners and awarding longer commitments to suppliers that support lead-time requirements, reliability, quality, and traceability.
- Capital equipment investments are flowing selectively into efficiency and automated tools. Owners and lenders are backing investments with clear payback, including automation cells, software that tightens quoting and scheduling, and targeted debottlenecking, rather than speculative equipment buys for growth. Companies continue to optimize utilization prior to making new investments.
- Execution, not volume, is the differentiator. With input costs steadier and demand more predictable, margin gains are coming from mix management, faster setups, smarter inventory, and tighter cost control, rather than inflation or material price increases.

Industrial Production[1]



Precision Machining Index



Source: Gardner Intelligence and Federal Reserve Economic Data.

Diverging end markets in the midst of an industrial recession

End Market	Commentary	2026 Outlook		
		M&A Activity	Valuation	Demand
Data center / power generation	• Data center and power generation growth are a bright spot for manufacturing activity. • Booming capital expenditures from hyperscaler's to build out data center infrastructure is expected to increase 30-40% in 2026 to $500-$600 billion. • Additional investments to modernize the power grid bolster non-AI driven demand. • Beginning stages of the largest expansion of U.S. power plants since the 1960s.			
Infrastructure	• Aging electrical distribution, water management, and other critical infrastructure (roads, rail, and bridges) are in desperate need of repair or replacement. • M&A activity continued in 2024 and 2025 and valuations have held steady.			
A&D / space	• "Pure-play" A&D focused firms are still considered "A" assets, as PE firms with platforms accelerate strategic add-ons to add customers or capabilities. • Rearmament and modernization spending in Europe, along with the proposed increase in the U.S. defense budget, signal continued strong demand for contract manufacturers supporting global defense contractors.			
Medical	• Technological innovations in digital health, robotic surgical equipment, and advances in implants and prosthetics are driving demand in the industry. • With inventory levels stabilizing, medical focused firms should see volumes increase; but M&A will remain muted as investors cautiously monitor developments.			
Auto / transportation	• Volumes remain low as weak demand and high interest rates push the average U.S. car age to 12.7 years. • M&A activity is non-existent, and valuations continue to be challenged due to persistent tariffs and inflation, along with the challenge of re-tooling for ICE, EV, and hybrid vehicles. • Class 5-8 vehicle production was down 25% in 2025, but is expected to grow by 6% in 2026.			
Agriculture	• 2024 farm income was down 25% and fell an additional 15-20% in 2025. The agricultural recession is expected to continue with no uptick in equipment sales expected through 2027. • Low crop prices, elevated input costs, and unpredictable weather patterns foretell another weak year for ag-focused manufacturers and M&A in 2026. • Cash strapped manufacturers are beginning to enter bankruptcy or close operations.			

CIBC

Select transactions

Date effective	Target	Acquirer	Target's business description
Pending	Novaria Holdings LLC	Arcline Investment Management LP	Manufacturers specialty components and hardware for the A&D industry
Pending	TriMas Aerospace	Tinicum; Blackstone Inc.	Designs and manufactures aerospace specialty products
12/30/2025	PowerParts Group, LLC	JLL Partners	Provides high-precision MRO turbine parts
12/22/2025	Consolidated Aerospace Manufacturing, LLC	Howmet Aerospace Inc.	Manufactures precision aircraft components
12/15/2025	Accurate Perforating Co., Inc.	AMICO	Provides metal perforating and fabrication services
12/12/2025	GAM Enterprises, Inc.	Union Park Capital Management, L.P.	Manufactures precision mechanical motion control components
11/30/2025	GenMet Corp.	Private Investor	Manufactures fabricated metal components
11/20/2025	Made in America Manufacturing	Tide Rock	Manufactures precision machined complex cylindrical and milled components
11/18/2025	Technique, Inc.	Angeles Equity Partners, LLC	Provides precision metal fabrication services
11/18/2025	Kingsley Corporation	Compass Precision, LLC	Manufactures precision geometry components
11/18/2025	Machine Sciences Corporation	Viking Global Investors LP	Provides precision-engineered metallic components
11/16/2025	Ace Precision Industries, LLC	Boulden Company, Inc.	Manufactures and supplies precision machined parts and assemblies
11/14/2025	Warnke Precision Machining, LLC	Palladyne Corp.	Provides precision machining services
11/14/2025	MKR Fabricators Inc.	Palladyne Corp.	Provides metal fabrication services
11/14/2025	Preece Machining & Assembly, LLC	Highline Group	Provides precision CNC machining and milling services

Sources: Capital IQ, publicly available information, and CIBC knowledge.

Select transactions

Date effective	Target	Acquirer	Target's business description
11/12/2025	Owens Industries, Inc.	Pro Products Holdings LLC	Manufactures ultra precision CNC machining components
11/4/2025	Northend Gear & Machine, Inc.	Vector Companies	Offers machining and cutting services
11/3/2025	Acme Industries, Inc.	Owner Resource Group	Manufactures large format, precision machined parts and assemblies
10/28/2025	Five Axis Industries Inc.	Karman Holdings Inc.	Provides precision manufacturing services
10/15/2025	J&F Machine Inc.	Threadlock Precision, L.L.C.	Manufactures and offers precision-machined components
10/14/2025	Joined Alloys, LLC	Trusted Aerospace Engineering Pvt. Ltd.	Manufactures precision metal components and subassemblies
10/1/2025	Infinity Edm, LLC	Private Investor	Specializes in wire EDM machining and small hole drilling services
8/28/2025	Cal-Draulics, Inc	Advanced Manufacturing Company of America, Inc.	Provides high-precision hydraulic products for aerospace
8/25/2025	ETW Inc.	JR Machine, Inc.	Provides CNC machining and custom tooling services
8/19/2025	SBS Precision Sheet Metal, Inc.	Appian Way Capital Partners, LLC.	Provides precision sheet metal fabrication and machining services
8/19/2025	High Tech Solutions LLC	BTX Precision, LLC	Specializes in CNC machining, assembly, and quality control services
8/11/2025	Mack Tool & Engineering, Inc.	Winsert, Inc.	Provides precision machining services
7/31/2025	LHM Technologies, Inc.	Solestra Group	Manufactures automotive and precision components
7/29/2025	Hanmar, LLC	Alpha Metalcraft Group	Manufactures metal components and assemblies
7/18/2025	AGA Precision Systems, LLC	PMGC Holdings Inc.	Provides precision CNC machining services

Sources: Capital IQ, publicly available information, and CIBC knowledge.

Select transactions

Date effective	Target	Acquirer	Target's business description
7/16/2025	Hudson Technologies, Inc.	PrecisionX Group, LLC	Designs and develops deep-drawn metal enclosures, cases, stampings, and metal diaphragms
7/15/2025	Precision Aero Corporation	Novaria Holdings LLC	Manufactures close tolerance machined components
7/1/2025	Crabil Manufacturing, Inc.	Actron Engineering	Provides precision CNC machining services
7/1/2025	Accu-Fab, LLC	Mayville Engineering Company, Inc.	Provides precision metal fabrication services
6/23/2025	Fossil Industries	Manufacturing Corporation of America, Inc.	Offers sheet and tube laser cutting, bending and fabrication services
6/18/2025	WMT Precision LLC	Raghu Vamsi Machine Tools Pvt Ltd	Manufactures precision engineered components for the aerospace industry
6/17/2025	TSM Corporation	Hirschvogel Incorporated	Manufactures precision machined components and complex assemblies
6/16/2025	New England Expert Technologies Corporation	Colt CZ Group SE	Manufactures and sells close tolerance and precision-machined components and assemblies
6/11/2025	RB Industrial Manufacturing LLC	36 South Capital Advisors LLP	Provides CNC turning, grinding, milling, welding, and assembling services
6/5/2025	Metfab Engineering, Inc.	M. Braun Inertgas-Systeme GmbH	Provides precision metal fabrication and machining services
5/30/2025	TM Industries, LLC	Reno Machine Company, Inc.	Offers high precision contract machining and concurrent engineering services
5/13/2025	S&A Trombley Corp.	Private Investor	Provides metal welding, fabrication, and machining services
5/8/2025	Columbia Manufacturing, Inc.	Collective Manufacturing Group, LLC	Provides complex components and multi-component fabricated assemblies
5/1/2025	RFR Dissolution, Inc.	H3 Manufacturing Group, LLC	Manufactures custom, precision metal-fabricated enclosures
4/24/2025	General Machine, Inc.	Private Investor	Offers metal fabrication, precision machining, and repair services

Sources: Capital IQ, publicly available information, and CIBC knowledge.

Select transactions

Date effective	Target	Acquirer	Target's business description
4/22/2025	Preston Eastin	SMX Industrial	Provides fabrication and welding solutions
3/26/2025	Victory Machine & Fab, LLC	Heartland Growth Partners, LLC	Offers custom metal fabrication and precision machining services
3/24/2025	Votaw Precision Technologies LLC	Cerberus Capital Management, L.P.	Manufactures precision components, fixtures, tools, and other related items for the A&D market
3/10/2025	United Services Group Inc.	Pelican Energy Partners LP.	Provides machining, fabrication, and welding services
3/7/2025	Clearwater Engineering, Inc.	Precision Aerospace Holdings, LLC	Manufactures precision machined aerospace parts and equipment
2/26/2025	Technical Metals, Inc.	MRCA	Offers machining and fabrication services
2/26/2025	Pryer Aerospace, LLC	Argonaut Private Equity	Manufactures structural components, assemblies, and kits for the aerospace industry
2/24/2025	Electro-Methods, Inc.	Blackstone Inc.; Stronvar Aerospace HoldCo, L.P.	Manufactures components for commercial and defense engine platforms
2/4/2025	Gibbs Die Casting Corporation	Architect Equity Management LLC	Manufactures and supplies aluminum and magnesium die cast components
1/27/2025	Barnes Group Inc.	Apollo Global Management, Inc.	Provides engineered products, industrial technologies, and solutions
1/22/2025	EZ Fabricating, Inc.	House Rock Capital Partners	Provides metal fabrication, laser cutting, machining, coating, and other services
1/21/2025	M&M International, LLC	Gainline Capital Partners	Manufactures small diameter stainless steel tubing
1/21/2025	Bandy Manufacturing, LLC	Novaria Holdings LLC	Manufactures hinges and pins for aviation and military industries
1/21/2025	Chandler Industries, Inc.	BTX Precision, Inc.	Manufactures precision machined components, fabrications, and complex assemblies
1/7/2025	Precision Swiss Products, Inc.	GCM Holding Corporation	Provides CNC machining services

Sources: Capital IQ, publicly available information, and CIBC knowledge.

[1] The Industrial Production Index uses 2017 as the base year, with an index value of 100.

This presentation and has been prepared by CIBC Capital Markets for discussion purposes only. The information contained in this document is strictly confidential and furnished to you solely for your benefit and internal use only. CIBC Capital Markets expressly disclaims any liability to any other person who purports to rely on it. These materials may not be reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner or for any purpose, without obtaining the prior written consent of CIBC Capital Markets in each specific instance.

The materials described herein are provided "as is" without warranty of any kind, either express or implied, to the fullest extent permissible pursuant to applicable law, including but not limited to the implied warranties of merchantability, operation, usefulness, completeness, accuracy, timeliness, reliability, fitness for a particular purpose or non-infringement. The information and data contained herein has been obtained or derived from sources believed to be reliable, without independent verification by CIBC Capital Markets, and we do not represent or warrant that any such information or data is accurate, adequate or complete and we assume no responsibility or liability of any nature in connection therewith. CIBC Capital Markets assumes no obligation to update any information, assumptions, opinions, data or statements contained herein for any reason or to notify any person in respect thereof. The information and any analyses in this presentation are preliminary and are not intended to constitute a "valuation," "formal valuation," "appraisal," "prior valuation," or a "report, statement or opinion of an expert" for purposes of any securities legislation in Canada or otherwise. This printed presentation is incomplete without reference to the oral presentation, discussion and any related materials that supplement it.

The services, securities and investments discussed in this document may not be available to, nor suitable for, all investors. These materials do not (nor do they purport to) disclose all the risks and other significant issues relating to any of the securities, products or financial instruments described herein or any transaction related thereto. Nothing contained herein constitutes financial, business, legal, tax, investment, regulatory or accounting advice. Prior to making any investment in a product or financial instrument described herein, you should make your own appraisal of the risks from a financial, business, legal, tax, investment, regulatory and accounting perspective, without relying on the information contained herein, by consulting, if you deem it necessary, your own advisors in these matters or any other professional advisors. CIBC employees are prohibited from offering to change or otherwise influence any research report, rating or price target to any company as inducement for the receipt of any business or compensation.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC World Markets plc) provide products and services to customers around the world. In the US, CIBC Capital Markets also provides investment banking services under the trademark brand name CIBC Cleary Gull. Securities and other products offered or sold by CIBC Capital Markets are subject to investment risks, including possible loss of the principal invested. Each subsidiary or affiliate of CIBC is solely responsible for its own contractual obligations and commitments. Unless stated otherwise in writing, CIBC Capital Markets products and services are not insured by the Canada Deposit Insurance Corporation, the Federal Deposit Insurance Corporation, or other.

® The CIBC logo and "CIBC Capital Markets" are registered trademarks of CIBC, used under license.

