



Precision Metal Manufacturing

2008 Year End Dashboard

Market Intelligence for Industry Players

Q1 2009

2008 M&A Market Commentary

Middle market Precision Metal Manufacturing ("PMM") transaction activity declined 23.9% in 2008. Capstone identified 54 PMM transactions announced during 2008, compared to 71 transactions in 2007.

There was a marked decline in transaction activity beginning in mid-2008, with 33 transactions announced in the first half of the year and only 21 in the second half. This is in contrast with 2007, in which there were 35 transactions announced in the first half of the year and 36 in the second half.

Activity in the PMM industry followed the broader M&A market, in which middle market transactions declined 17.5% in 2008. The overall market decline began in the first quarter of 2008 and significantly accelerated in the fourth quarter. Total fourth quarter 2008 transaction activity declined 31.3% from 2007.

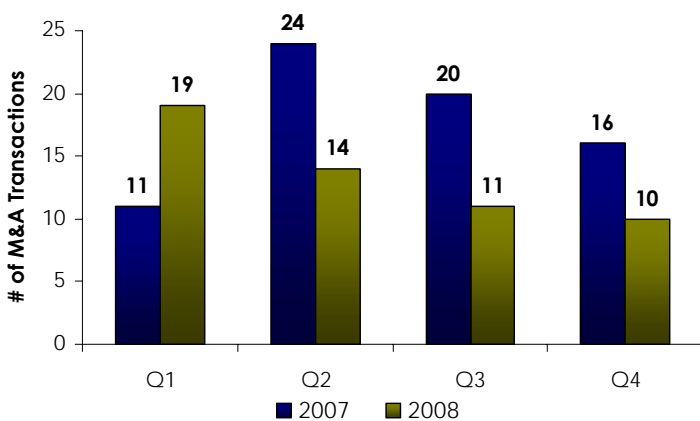
M&A Market Trends

Although transaction activity has slowed considerably, certain themes still resonate with acquirers. Strategic buyers have shown a preference for PMMs that possess an industry specialization or unique manufacturing capabilities. Additionally, PMMs have tended to consolidate locally rather than seeking to expand geographically via acquisition.

Industry Specialization – Acquirers remain attracted to companies serving military and medical OEMs. Although no sector seems to be immune from the most recent economic downturn, these sectors have historically been recession resistant. OEMs in both sectors are also increasing their reliance on outsourced service providers in order to improve efficiency and focus on core activities. This trend has accelerated due to the increasing complexity of components and the specialized manufacturing processes required to produce them. OEMs continue to outsource component manufacturing to PMM suppliers with the technical know-how and capital equipment required to make highly complex parts.

In addition to fueling market growth by more heavily outsourcing, a number of OEMs, specifically in the medical sector, have gone so far as to divest manufacturing assets. For instance, medical device OEM DePuy Orthopedics sold its surgical instrument manufacturing operations in 2008 to Symmetry Medical, a one-stop outsourced manufacturer for medical device companies. Likewise, Viasys, a diversified medical device OEM, divested Tecomet, a division focused on contract manufacturing for the medical device and aerospace industries.

**Precision Metal Manufacturing
Announced Transactions**



Source: Capital IQ and Capstone Partners

Continued on Page 2...





CAPSTONE PARTNERS LLC

176 Federal Street
Third Floor
Boston, MA 02110

www.capstonellc.com

**Precision Metal
Manufacturing
Team**

Kevin Jolley
Managing Director
617.619.3330

kjolley@capstonellc.com

Timothy Schmidt
Vice President
617.619.3333

tschmidt@capstonellc.com

Justin Ross
Associate
617.619.3310

jross@capstonellc.com

Precision Metal Manufacturing

2008 Year-End Dashboard

M&A Market Trends (continued)

Manufacturing Capabilities – As the disparate players in the fragmented PMM industry move towards a “one-stop-shop” model, acquirers have sought companies with specialized manufacturing capabilities in order to offer more complete services to OEMs. PMMs devoted to a single machining process, such as grinding or laser cutting, are being supplanted by one-stop-shops that offer a range of services to a diverse customer base.

Geographic Consolidation – Strategic acquirers have primarily targeted PMMs within their current geography. This strategy is closely related to the previous two trends. While they have largely maintained a local or regional focus, acquirers have primarily targeted companies that provide new manufacturing capabilities or industry specializations. Other reasons for looking at local targets include familiarity with the target company, an existing knowledge of the region’s workforce, and the ability to share resources such as equipment, management and employees to rationalize costs. Each of these factors mitigates some of the risks involved in an acquisition. For example, MultiSource Manufacturing acquired Microgroup Blaine, a PMM located less than 35 miles from MultiSource’s headquarters. The two Minnesota-based companies stated that their combined management expertise and additional capabilities increased their competitive advantage and regional footprint in the upper Midwest.

Buyer Composition – PMM deal activity has been fairly split between private equity and strategic buyers. Private equity buyers, including private equity-backed strategic acquirers, comprised 45.1% of 2008 transaction activity, while pure strategic acquirers accounted for 54.9% of activity. Recent credit market conditions have impacted private equity firms’ ability to do deals, resulting in a 29.2% decline in private equity PMM transaction activity in 2008, compared to a slightly less severe 21.6% decline in strategic acquisitions.

2008 Selected Deal Briefs

Cretex Companies, Inc. acquires Meier Tool and Engineering, Inc. Cretex is a diversified manufacturing company with multiple locations in the upper Midwest. Its Commercial Products group currently owns RMS, a medical implant and instrument machining company, and Juno Inc., a custom molding and metal stamping company with a diversified client portfolio. Meier Tool and Engineering, Inc. is a Minnesota-based specialty manufacturer of miniature and micro-sized stamped components for the medical device, aerospace, defense and specialty electronics markets. Meier provides services from design and prototype engineering all the way through full-scale production runs.

According to Lynn Schuler, Chief Executive Officer of Cretex, “The acquisition of MTE enhances our presence in the medical and aerospace and defense markets and adds capabilities which compliment RMS and Juno – two companies in our portfolio which are already well-known in these markets for precision machining, metal fabrication, and plastic molding.”

Continued on Page 3...

2008 Selected Deal Briefs (continued)

The Whitcraft Group acquires Reliable Manufacturing Company, Inc. Located in Connecticut, the Whitcraft Group is comprised of three aerospace manufacturing services companies: Whitcraft LLC, a producer of formed, machined and fabricated sheet metal products; CT Tool & Manufacturing, a producer of precision machined parts and assemblies; and A.O. Sherman LLC, a producer of rolled, pressed and wire EDM parts. Founded in the 1960s, The Whitcraft Group is a prime supplier to many of the top-tier aerospace companies. Reliable Manufacturing, located in Bloomfield, Connecticut, is a 50-year old producer of precision machined parts, specializing in the aerospace industry with a focus on engine components. Reliable will provide Whitcraft with additional capabilities in kitting – the practice of packaging individual items together and selling them as a group. Kitting has grown to 10% of Whitcraft’s business and is utilized by large customers such as General Electric and Honeywell.

Precision Engineered Products acquires Lacey Manufacturing, Inc. Precision Engineered Products (“PEP”) of Attleboro, Massachusetts is a producer of precision parts and assemblies. PEP is owned by Nautic Partners, a Providence, RI-based private equity firm. Lacey Manufacturing, Inc. of Bridgeport, Connecticut manufactures precision metal and plastic components and assemblies for the medical device market and other precision applications. Lacey, which had estimated 2008 sales of \$43.0 million, is a former subsidiary of Schaeffler Group KG, a manufacturer of parts for the automobile and aerospace industries. Schaeffler divested Lacey in order to focus on its core automotive and aerospace businesses, whereas PEP is actively seeking to expand into the medical segment. Additionally, Lacey expands PEP’s presence in the New England region.

Charlesbank Capital Partners, LLC acquires Tecomet, Inc. The sale of Tecomet is a prime example of an OEM shedding an auxiliary business to focus on core competencies. The Wilmington, MA-based contract manufacturer of orthopedic implants and precision components for the aerospace & defense, communications and medical industries is a former subsidiary of Viasys Healthcare, which was acquired by healthcare products and services giant Cardinal Health in 2007. As a contract manufacturer with \$50 million in annual sales, Tecomet was a non-core asset for Cardinal, which has annual sales of greater than \$90 billion. Charlesbank partnered with two operating executives with contract manufacturing experience to acquire Tecomet and expects to use the company as a platform for further acquisitions in the precision metal manufacturing space.

Ladish Co. Inc. acquires Chen-Tech Industries Inc. and Aerex Manufacturing. Ladish is a family of companies that provide advanced metalworking capabilities to supply highly engineered parts to the aerospace industry. Over the last several years, Ladish has acquired four PMMs, including ZKM Forging of Poland in 2005; Valley Machining of La Crosse, Wisconsin in 2006; and Chen-Tech Industries of Irvine, California and Aerex Manufacturing of South Windsor, Connecticut in 2008.

Chen-Tech Industries provides near-net forgings and CNC machining for titanium, nickel and iron-based super alloys for the aerospace and aircraft engine industries. With this acquisition, Ladish adds capabilities to produce high-precision titanium and nickel components for the small and regional jet markets. The transaction was valued at approximately \$59.5 million in cash and stock. Chen-Tech had estimated sales of approximately \$50 million in 2008.

Aerex Manufacturing is a precision-machining company serving the aerospace and commercial airplane industries. The acquisition of Aerex expands Ladish’s high-end niche manufacturing capabilities in its core aerospace market. Ladish and Aerex have had a long-term relationship and serve mutual customers. The purchase price of Aerex was approximately \$14 million in cash and stock. Aerex had estimated 2008 sales of \$15 million.

2008 U.S. Precision Metal Manufacturing M&A Transactions

Announced/ Closed	Target / Acquirer	Target Description	Implied EV (\$mm)	EV/LTM Revenue
12/29/2008 12/29/2008	Meier Tool and Engineering, Inc. Cretex Companies, Inc.	Manufactures metal stampings and sub assemblies for medical, electronic, defense and aerospace applications	-	-
12/22/2008 12/22/2008	DynaBil Industries, Inc. Ducommun AeroStructures, Inc.	Manufactures sheet metal components and assemblies for the aerospace industry	\$46.5	-
12/5/2008 12/5/2008	Stainless Tubular Products, Inc. TW Metals, Inc.	Provides metal fabrication services for various industries	-	-
12/5/2008 12/5/2008	FormTech Industries, LLC, Certain Assets American Axle & Manufacturing Holdings Inc. (NYSE:AXL)	Manufactures forged metal components for the automotive industry	-	-
12/1/2008 12/1/2008	Metavation, LLC Cerion, LLC	Manufactures precision machined components and assemblies for the automotive industry	-	-
11/25/2008 11/25/2008	ACCRA Manufacturing, Inc. Primus International, Inc.	Manufactures precision machined parts and assemblies	-	-
11/17/2008 11/17/2008	Reliable Manufacturing Company, Inc. Whitcraft, LLC	Manufactures precision machined products and engine components for the aerospace industry	-	-
10/31/2008 10/31/2008	Lacey Manufacturing Company, Inc. Precision Engineered Products, Inc.	Provides contract manufacturing of assemblies, subassemblies and precision components	-	-
10/28/2008 10/28/2008	LaFarge & Egge, Inc. Graham Capital Group, LLC	Provides tube bending and sheet metal fabrication services to the aerospace and commercial industries	-	-
10/1/2008 10/1/2008	The Linderme Tube Co. Small Tube Manufacturing LLC	Manufactures seamless copper, copper base alloys and drawn aluminum tubing	-	-
9/12/2008 12/31/2008	ATS Automation Tooling Systems Inc., Precision Components Group Company management	Manufactures precision components for automotive, medical, consumer and electronic applications	-	-
8/22/2008 9/4/2008	Chen-Tech Industries Inc. Ladish Co. Inc.	Provides titanium, nickel and iron-based super alloy forgings and machined components for the aerospace industry	\$59.5	1.2x
8/22/2008 8/22/2008	Utility Tool & Machine Inc. The Teneo Group Inc.	Manufactures precision molds, dies, plastic injection molded products and machined products	-	-
8/22/2008 8/22/2008	Pinnacle Precision Inc. The Teneo Group Inc.	Manufactures precision metal stampings and fabrications	-	-
7/29/2008 8/6/2008	AmeriCast Technologies, Inc. Bradken Limited	Designs and manufactures ferrous sand castings, machined components and assemblies	\$296.3	0.8x
7/22/2008 9/26/2008	Tecomet, Inc. Charlesbank Capital Partners, LLC	Manufactures orthopedic implants, surgical instruments and precision components for various industries	-	-
7/21/2008 7/21/2008	Treat All Metals, Inc. Charter Oak Capital Partners; High Road Capital	Provides heat treatment services for the industrial, agricultural, automotive and rail industries	-	-
7/16/2008 7/28/2008	NeedleTech Products, Inc. Theragenics Corp.	Manufactures and supplies needles and medical devices for medical device OEMs	\$47.8	2.8x
7/10/2008 7/10/2008	Aerex Manufacturing, Inc. Ladish Co. Inc.	Provides contract machining and subassembly services to the aerospace and commercial airplane industries	\$14.0	-
7/8/2008 7/8/2008	BP Metals LLC Protostar Partners LLC	Manufactures custom castings, metal components, metal forgings, and aluminum and plastic casings	-	-
7/8/2008 7/8/2008	Sandy Bay Machine, Inc. Thermal Solutions, Inc.	Operates as a contract manufacturer of precision machined parts	-	-

Source: Capital IQ

EV = enterprise value; LTM = last 12 months

2008 U.S. Precision Metal Manufacturing M&A Transactions

Announced/ Closed	Target / Acquirer	Target Description	Implied EV (\$mm)	EV/LTM Revenue
6/30/2008 6/30/2008	R. & R. Manufacturing Company, Inc. MW Industries, Inc.	Manufactures electronic hardware components for the telecommunications, medical and aerospace industries	-	-
6/30/2008 6/30/2008	Rathbone Precision Metals, Inc. Tre Ci S.r.l.	Produces cold drawn shapes and cold rolled shapes for the medical, industrial, aerospace and agricultural industries	\$17.4	-
6/23/2008 6/23/2008	Precision Gear Company One Equity Partners LLC	Supplies manufactured gears and manufacturing services for the aerospace, automotive and nuclear industries	-	-
6/20/2008 8/29/2008	Shumate Machine Works, Inc. American International Industries Inc.	Provides close-tolerance machining of discreet parts and product assemblies for the oil and gas industry	\$6.7	0.8x
6/17/2008 6/30/2008	On Time Machining Company, Inc. Kyocera Industrial Ceramics Corp.	Manufactures standard and special indexable cutting tools, as well as carbide and cermet inserts	-	-
6/16/2008 8/4/2008	PNA Group Holding Corporation RSAC Management Corporation	Distributes steel products and provides value-added steel processing services	\$1,083.9	0.6x
6/5/2008 6/5/2008	MicroGroup Blaine, LLC (nka:MultiSource Aerospace LLC) MultiSource Manufacturing LLC	Provides machining services and manufactures metal components for the aerospace and defense industries	-	-
6/1/2008 6/1/2008	Miller Welding & Iron Works Bismark Tool and Die Co.	Manufactures machined parts for mining machinery, oil rigs, wind components and farm equipment	\$40.0	1.5x
5/30/2008 5/30/2008	The MedTech Group, Inc. KRG Capital Partners, L.L.C.	Manufactures medical devices and components and provides supply chain management services	-	-
4/29/2008 4/29/2008	Wire Works Inc. Strandex Corporation	Provides machining services with a focus on electrical discharge machining	-	-
4/22/2008 4/22/2008	Process Fab, Inc. Vance Street Capital	Manufactures transporters, containers, composites, flight hardware and tooling for aircraft and space applications	\$82.0	-
4/17/2008 4/17/2008	Consolidated Foundries, Inc. Arlington Capital Partners	Manufactures super-alloy castings for the aerospace, military, medical, electronic and commercial markets	-	-
4/4/2008 4/4/2008	Ajax Rolled Ring And Machine, Inc. Prospect Capital Corporation	Manufactures carbon, alloy and stainless steel rolled rings for the oil and gas, wind and construction industries	\$6.3	-
4/3/2008 5/16/2008	Taylor Equipment & Machine Tool Corp. Namasco Corporation	Provides manufacturing, machining and cutting services and manufactures steel plates and military armor	-	-
3/28/2008 3/28/2008	Berkshire Manufactured Products Inc. Relativity Capital	Manufactures complex precision stamping and machined components	-	-
3/27/2008 3/27/2008	UltraFine Powder Technology, Inc. Carpenter Powder Products, Inc.	Manufactures alloy metal powders used in medical device aerospace and defense applications	\$6.6	-
3/17/2008 3/17/2008	AZ Automotive Corp. AIG Investments; ORIX Corporate Finance Group	Manufactures metal-formed components, complex modules and mechanical assemblies	-	-
3/13/2008 3/13/2008	KEF, Inc. Coghlin Companies, Inc.	Provides precision-machined parts and assembly services for the defense, medical and communications industries	-	-
3/12/2008 3/12/2008	Republic Fastener Manufacturing Corp. & Van Petty Manufacturing Alcoa, Inc.	Manufactures performance precision aerospace fasteners for engine and equipment manufacturers	\$276.0	-

Source: Capital IQ

EV = enterprise value; LTM = last 12 months

2008 U.S. Precision Metal Manufacturing M&A Transactions (continued)

Announced/ Closed	Target / Acquirer	Target Description	Implied EV (\$mm)	EV/LTM Revenue
3/5/2008 N/A	RM Precision Swiss Inc. Swissmetal AG	Manufactures precision screw machine parts for the electronic component, medical and aerospace industries	-	-
3/4/2008 3/4/2008	Bronco Manufacturing, Inc. Crystal Ridge Partners	Manufactures OEM parts and associated components for drilling, workover and well servicing rigs	-	-
3/4/2008 3/4/2008	Swiss-Tech, LLC Cornerstone Industrial Group, LLC; South Franklin Street Partners, LLC	Manufactures machined components for the healthcare, transportation, industrial, defense and technology sectors	-	-
2/29/2008 2/29/2008	Small Tube Manufacturing LLC Standish Capital, LLC	Manufactures small diameter precision copper, copper alloy and brass tubing	\$25.0	-
2/29/2008 2/29/2008	Saegertown Manufacturing Corporation MacLean-Fogg Company	Produces precision parts and provides finishing services to OEMs in various industries	-	-
2/18/2008 2/18/2008	Brasseler USA Inc. Carousel Capital	Manufactures instrumentation for dental practitioners, hygienists and laboratory technicians	-	-
2/1/2008 2/1/2008	Tubular Products Company Samuel Manu-Tech Inc.	Provides tubular steel products such as wire carriers, tubing, components and sub-assemblies	\$33.0	1.1x
2/1/2008 3/3/2008	Hodge Foundry, Inc. Elyria Foundry Co. LLC	Manufactures iron castings for mining, plastic injection and die casting, and machine tools	\$32.0	-
1/29/2008 1/29/2008	Giddens Industries, Inc. Platte River Ventures	Manufactures machined and sheet metal parts for the aerospace industry	-	-
1/23/2008 1/23/2008	Missouri Metals LLC Metalspinners, Inc.	Manufactures components and assemblies for the aerospace and power generation industries	-	-
1/18/2008 1/18/2008	EL-Tronic Precision, Inc. Remmele Engineering, Inc.	Provides contract manufacturing services for orthopedic, drug infusion and other medical devices	-	-
1/8/2008 1/8/2008	Tri-Fab Associates Inc. Cascade Consolidated Industries, LLC	Provides contract sheet metal manufacturing services to the electronics, medical and aerospace industries	-	-
1/3/2008 1/3/2008	Distefano Tool & Manufacturing Company Behlen Mfg. Co.	Manufactures precision tools and machined steel components for various applications	-	-

Source: Capital IQ

EV = enterprise value; LTM = last 12 months

About Capstone Partners LLC

Capstone Partners LLC is a leading national investment banking advisory firm dedicated to serving the transaction needs of middle-market companies. The firm provides corporate sale & divestiture, merger & acquisition and private placement advisory services across three major industry practices: Specialty Products, Business Services and Technology & Media. Our team possesses significant experience spanning hundreds of M&A and financing transactions. All of our transactions are supported through industry-specific research and relationship coverage capabilities.