



Precision Metal Manufacturing

Market Snapshot

Market Intelligence for Industry Players

Q1 2010

PMM M&A Market Commentary

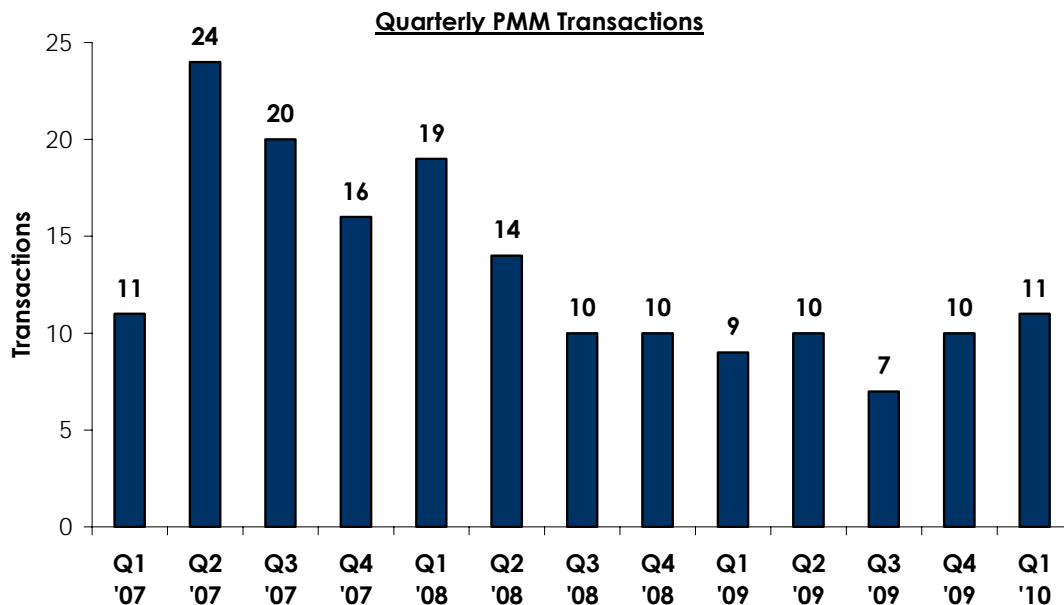
In the first quarter of 2010, M&A activity involving precision metal manufacturing (“PMM”) companies was consistent with activity levels observed in the fourth quarter of 2009. In the first quarter, 11 PMM transactions were announced, which was slightly more than the 10 transactions announced in Q4 2009. This level of activity is still well below the peak levels observed in 2007, however, it is up from the market bottom, which occurred in Q3 2009.

Private equity firms had a limited role in the transactions announced in the first quarter. Only two of the announced transactions involved private equity firms as buyers. Joseph T. Ryerson & Sons, which is a subsidiary of a company owned by Platinum Equity, acquired Texas Steel Processing, Inc. The only other transaction involving a private equity firm was the acquisition of Johnson Precision by CEPS, Inc., which is owned by 2SV Capital LLC.

Capstone believes the limited new investment in the PMM sector by private equity firms is more a reflection of an overall slowdown in private equity activity than it is a lack of interest in the sector. Capstone is aware of several private equity firms that are currently looking for new PMM investments.

International buyers also were not actively involved in the transactions announced in the first quarter of 2010. None of the announced transactions involved foreign buyers.

Several of the transactions announced in the first quarter were sales of distressed companies. Capstone noted that at least three of the 11 transactions involved sellers that were experiencing some form of distress. These companies primarily serve the automotive and general industrial sectors, which were the sectors hit hardest during the recession.



Source: Capital IQ and Capstone Partners



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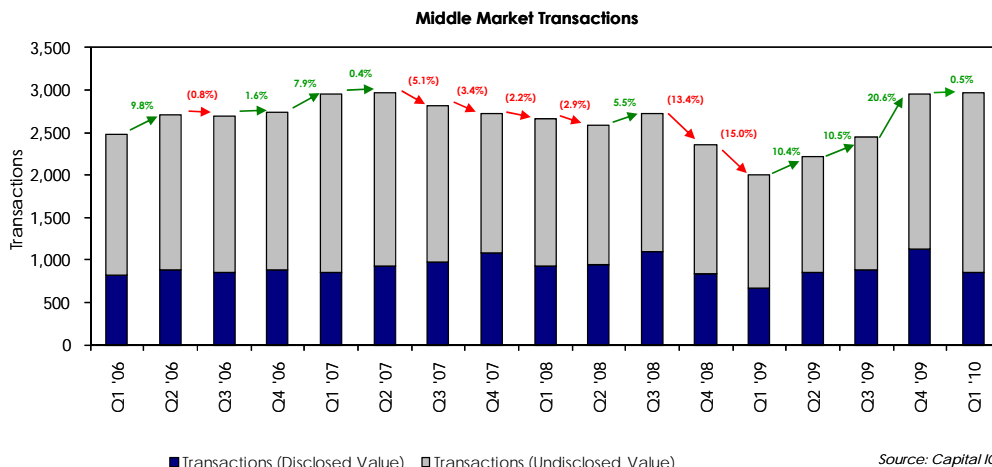
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The M&A Environment

Although the PMM M&A market is starting to show signs of life, it has not rebounded as strongly as the overall M&A market. Middle market M&A activity increased approximately 48% in Q1 2010 compared to Q1 2009, which was the bottom of the downturn. Transaction announcements have increased in each of the last four quarters and have returned to levels last seen prior to the recession.



Source: Capital IQ

The following factors have contributed to the improving M&A environment:

- Stock market valuations have increased significantly over the last year;
- Strategic acquirers have stockpiled cash and are now looking for growth;
- Private equity capital remains abundant;
- The debt market is slowly improving;
- The economy is growing again; and
- The recent slowdown in transactions has created pent up demand.

The overall manufacturing sector is also showing improvement. The chart below shows the latest readings for the Purchasing Managers Index ("PMI") from the Institute of Supply Management ("ISM").



According to the ISM, a reading above 50 percent indicates that the manufacturing economy is generally expanding. The PMI indicates the manufacturing sector has been expanding for nine consecutive months.

Capstone expects better M&A market conditions and the improving manufacturing environment will lead to increased M&A activity in the PMM sector. We continue to believe high-quality companies serving the medical, aerospace and military markets will be the most highly sought after acquisition targets.

Q1 2010 Precision Metal Manufacturing M&A Transactions

Announced/ Closed	Target / Acquirer	Target Description	Implied EV (\$mm)	EV/LTM Revenue	EV/LTM EBITDA
3/31/2010 -	North American Galvanizing & Coatings Inc. AZZ incorporated (NYSE:AZZ)	Engages in hot dip galvanizing and coatings for corrosion protection of fabricated steel products in the United States.	\$108.4	1.5x	6.7x
3/29/2010 3/29/2010	Formrite Companies, Inc. HMF Innovations, Inc.	Offers round tubes, square tubes, shaped tubes, mechanical assemblies, and hydraulic components.	-	-	-
3/23/2010 3/23/2010	Biddle Precision Components Inc. EMC Precision Machining	Produces precision machined components and hydraulic valve spool components.	-	-	-
3/1/2010 3/1/2010	Fabritech, Inc. Triumph Aftermarket Services Group, Inc.	Engages in the maintenance, overhaul, machining and assembly of aircraft parts.	-	-	-
2/16/2010 2/16/2010	Moeller Design & Development, Inc. 3D Systems Corp. (NasdaqGM:TDSC)	Provides precision investment casting, CNC machining, and mold making services.	-	-	-
2/4/2010 2/4/2010	Lanart Works Inc. Precision Valve & Automation, Inc.	Manufactures aluminum, stainless steel, brass, and plastic machined parts and assemblies.	-	-	-
2/2/2010 2/2/2010	Williams Powder Coating IFH Group, Inc.	Offers powder coating services on fabricated metal products.	-	-	-
1/26/2010 1/26/2010	Texas Steel Processing, Inc. Joseph T. Ryerson & Son, Inc.	Provides steel plate processing services including machining, cutting, robotic beveling, rolling, grinding, and heat treating.	11.4	-	-
1/22/2010 1/22/2010	Johnson Precision, Inc. CEPS, Inc.	Specializes in plastic-injected, metal-injected, and insert-molded specialty devices.	-	-	-
1/8/2010 1/8/2010	Anderson Enterprises, LLC Polychem Corporation	Provides custom machine and job shop products. Its activities include grinding, milling, turning, and fabrication.	-	-	-
1/1/2010 1/1/2010	Elopak Precision Machining Management Buyout	Offers close tolerance parts in various materials, such as aluminum alloys, copper, stainless steel, titanium, and inconel.	-	-	-

Selected Deal Briefs

AZZ incorporated signs agreement to acquire North American Galvanizing.

AZZ incorporated announced it has signed a merger agreement with North American Galvanizing & Coatings, Inc. ("NGA") to acquire NGA through a cash tender offer. The tender offer was initiated in early May. If the tender offer is successful, the transaction is expected to close by the end of August 2010. NGA is a leading provider of corrosion protection for iron and steel components fabricated by its customers. AZZ incorporated is a specialty electrical equipment manufacturer serving the global markets of industrial, power generation, transmission and distributions, as well as a leading provider of hot dip galvanizing services to the steel fabrication market nationwide.

Elopak Precision Machining sold to employee.

Eidemiller Precision Machining, formerly Elopak Precision Machining, is a supplier of precision machined parts to OEMs servicing the food packaging, printing and office machine equipment markets. In January, the company was purchased by Martin Eidemiller, its former vice president and general manager.

Source: Capstone Partners and Capital IQ
EV = enterprise value; LTM = last 12 months

EMC Precision Machining acquires Biddle Precision Components.

EMC Precision Machining produces high complexity, close tolerance precision machined parts and assemblies. EMC recently announced the acquisition of Biddle Precision Components Inc. The press release stated Biddle's "complementary machining technologies and capabilities will effectively double the size of EMC and give the firm a broader array of processes and skill sets to meet customer needs." Prior to the transaction both companies were fourth-generation owned private companies.

3D Systems acquires Moeller Design.

3D Systems Corporation acquired the assets of Moeller Design, a leading provider of premium precision investment casting services and prototyping for the most demanding aerospace, medical device and MCAD prototyping applications. 3D Systems Corp. stated "the acquisition of Moeller Design enhances 3Dproparts™ QuickCast™ and urethane cast manufacturing capabilities further cementing the company's reach into aerospace and medical device production for commercial and military applications."

2009 Precision Metal Manufacturing M&A Transactions

Announced/ Closed	Target / Acquirer	Target Description	Implied EV (\$mm)	EV/LTM Revenue	EV/LTM EBITDA
12/15/2009	LAI International, Inc. 12/15/2009 RLJ Equity Partners, L.P.	Provides laser, waterjet, EDM, and CNC machining contract manufacturing services worldwide.	-	-	-
12/7/2009	Arrow Industrial, Ltd. 12/7/2009 Premier Precision Group	Engages in the production of precision machined parts and assemblies.	-	-	-
11/30/2009	Citation Corporation, Albion Plant 11/30/2009 Busche Machine	Machining and assembly operation facility primarily for marine engine manifolds.	-	-	-
11/23/2009	Denman & Davis, Inc. 1/4/2010 O'Neal Steel, Inc.	Offers carbon products and a variety of metalworking services, including cutting, forming, and sub-assembly processes.	-	-	-
11/12/2009	Blackhawk Foundry & Machine Company 11/30/2009 Citation Corporation	Produces iron castings and provides machining, heat treatment, and painting services.	-	-	-
11/10/2009	Precision Wire Components, LLC 11/10/2009 The Riverside Company	Offers custom medical wire components and services for medical device original equipment manufacturers.	-	-	-
11/4/2009	Grede Foundries, Inc. 2/5/2010 Wayzata Investment Partners LLC	Offers specialty iron castings, design assistance, painting, prototyping, sub-assembly, machining, and custom packaging.	\$106.0	-	-
10/15/2009	Duffy Tool and Stamping, LLC 10/15/2009 North American Stamping Group, LLC	Provides precision metal stampings, multi-slide, and specialty products.	-	-	-
10/1/2009	Acu-Cast Technologies, LLC 10/1/2009 3D Systems Corp. (NasdaqGM:TDSC)	Provides prototyping, concept modeling, laser sintering, metal casting, plastic casting, machining, and nickel coating services.	-	-	-
10/1/2009	PTCAliance Corporation Pending Black Diamond Capital Management	Manufactures steel tubing and tubular shapes, fabricated parts, precision components, and chrome-plated rod.	-	-	-
9/30/2009	Alberox Corporation, MIM Division 9/30/2009 ATW Companies, Inc.	Manufactures metal injection molding products for applications in surgical instruments, electronic packaging, implants, and tools.	-	-	-
9/30/2009	Camelot Consolidated, Inc. Pending Esmark Inc.	Provides OEM, machining, and fabrication services.	3.5	-	-
9/3/2009	Precision Aerostructures, Inc. 10/9/2009 New Century Companies, Inc.	Engineers and manufactures precision CNC machined structural aircraft components.	0.9	-	-
8/31/2009	Wayne Manufacturing Corporation 8/31/2009 North River Capital LLC	Manufactures stampings. Also provides die building, tooling, and welding services.	-	-	-
8/26/2009	Arcturus Manufacturing Corp. 9/30/2009 Precision Castparts Corp. (NYSE:PCP)	Manufactures and markets closed die and open die forgings, rolled rings, machined parts and assemblies.	850.0	-	-
8/4/2009	J.A. Reinhardt & Co., Inc. 8/4/2009 TSI Group, Inc.	Manufactures thermal and mechanical products for the aerospace industry. Also offers machining and other services.	-	-	-
7/1/2009	Morton Industries LLC 7/1/2009 Undisclosed	Designs, develops, manufactures, and sells machined components.	15.0	-	-
6/30/2009	M Line Holdings, Inc. (OTCBB:MLHC) Pending Money Line Capital, Inc.	Sells new and refurbished computer numerically controlled (CNC) machines and manufactures precision metal components.	-	-	-
6/26/2009	Morton Industrial Group Inc. 6/26/2009 Matcor Metal Fabrication Inc.	Manufactures engineered metal components and subassemblies for construction, industrial, and agricultural OEMs.	33.0	-	-
6/25/2009	Aimco Precision, Inc. 6/25/2009 Premier Precision Group	Engages in precision machining small to medium sized aerospace products.	-	-	-
6/16/2009	Indalex, Inc. 8/3/2009 Sapa AB	Provides custom extrusions and close tolerance machining services.	95.0	-	-
6/6/2009	Aerial Machine and Tool Corp. 6/6/2009 Undisclosed	Provides custom sewing and precision machined components for life support, military, search and rescue and industrial applications.	-	-	-
5/28/2009	Metaldyne Corp. 10/16/2009 The Carlyle Group; Solus Alt. Asset Mgmt	Manufactures metal-formed and precision-engineered products, sub-assemblies, and modular systems for the automotive industry.	497.5	-	-
5/15/2009	Contech Castings LLC 6/17/2009 Cerion, LLC	Manufactures precision die cast components and offers advanced machining capabilities.	13.5	-	-

Source: Capstone Partners and Capital IQ
EV = enterprise value; LTM = last 12 months

2009 Precision Metal Manufacturing M&A Transactions (continued)

Announced/ Closed	Target / Acquirer	Target Description	Implied EV (\$mm)	EV/LTM Revenue	EV/LTM EBITDA
5/15/2009	Parkview Metal Products LLC Waukesha Metal Products, LLC	Provides precision metal fabrication and stamping services.	-	-	-
5/13/2009	Axial Industries, Inc. Airtronics Metal Products, Inc.	Offers assembly of sheet metal components, electromechanical assembly, frame fabrication, painting, and machining.	-	-	-
5/1/2009	NGInstruments, Inc. Avalign Technologies, Inc.	Manufactures drills and precision instruments for medical, dental, and veterinary markets.	-	-	-
3/13/2009	Merritt Tool Company Triumph Aerospace Systems Group, Inc.	Engages in machining, CNC milling, turning, grinding, and assembly operations serving civilian and defense aerospace contracts.	-	-	-
3/13/2009	Citation Corporation, Machining Operations Compass Automotive Group, LLC	Manufactures aluminum die castings and offers machining services.	-	-	-
3/13/2009	Precision Parts International, Inc. Cerion, LLC	Manufactures, designs, and assembles metal components for automotive, aviation, and industrial sectors.	18.5	-	-
3/3/2009	DR Technologies, Inc. Nogales Investors Management, LLC	Offers manufacturing services for clients in the aerospace, transportation and commercial markets.	-	-	-
2/20/2009	VR Laser Services USA, Inc. Metals USA Holdings Corp.	Provides processed carbon steel plate products.	4.2	-	-
1/31/2009	The Homer D. Bronson Company Gill Industries, Inc.	Manufactures custom engineered hinges and stampings for the automotive, heavy truck, and industrial markets.	2.5	-	-
1/26/2009	Cencast Corporation Innovative Medical Device Solutions	Provides medical precision castings for the orthopedic and medical device markets.	-	-	-
1/20/2009	Porter's Fabrications, Inc. Undisclosed	Provides fabricated metal parts.	-	-	-
1/13/2009	BMW Metal Fabrication, Inc. Interroll Holding AG (SWX:INRN)	Manufactures fabricated metal products.	-	-	-

Source: Capstone Partners and 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, private placement and valuation advisory services. Capstone focuses on the outsourced services, technology solutions, and manufacturing & distribution industries and maintains dedicated sector teams in both education and healthcare.



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