



CONSILIUM PARTNERS

Precision Manufacturing

Industry Update | March 2023

TABLE OF CONTENTS

- Industry Overview
- US M&A Overview
- Private Equity Activity
- Valuation Drivers
- Comparable Public Companies
- Recent Transactions
- Consilium Overview

FIRM CONTACTS

Greg Sneddon

Sr. Managing Director
(617) 274-1701
gbs@cpboston.com

Viktor Lobov

Associate
(617) 274-1704
vl@cpboston.com

INDUSTRY OVERVIEW

As technological advancement continues to spur innovation and growth across the global economy, the demand for higher degrees of accuracy and complexity among mission critical products has only continued to rise. Consequently, precision machining services have come to represent an increasingly vital stage of the value chain for OEMs. Serving a wide range of end markets, these manufacturers are chasing production specifications that enable components to be extremely light and possess superior performance characteristics. Adhering to these specifications frequently requires the use of ID & OD honing, gun drilling, and a full range of CNC capabilities (turning, milling, boring, etc.). Increasingly stringent tolerance requirements and rigorous competition have led many players to transition to specializing in particular market verticals or service types in order to gain a competitive advantage.

Alongside these trends, the U.S. precision machining sector has become a prime target for private equity activity given its highly fragmented state (30,000 - 40,000 enterprises averaging \$10-12M in revenue). Financial buyers in this space have pursued aggressive roll-up strategies, acquiring larger platform companies and “filling in the blanks” through the consolidation of smaller add-on acquisitions. Many acquisition candidates demonstrate exceptional margin profiles (50%+ EBITDA in some cases) with revenue forecasts supported by massive government and private spending programs (e.g., A&D platforms), which further support investor interest.

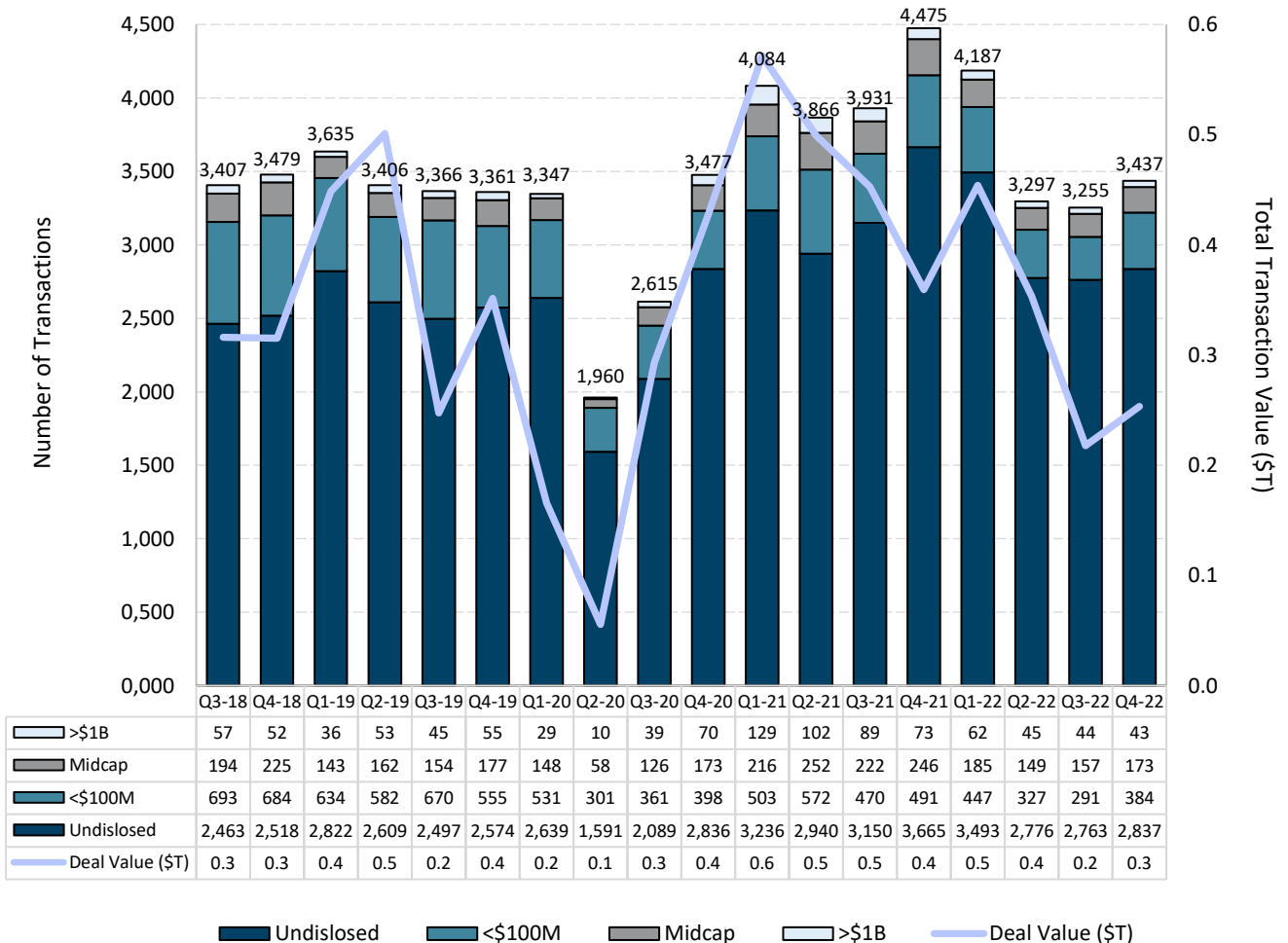


US M&A Overview

Recession fears have dominated headlines in recent months, with Bloomberg Economics forecasting the likelihood of a US recession at ~100% within the next 12 months as geopolitical issues continue to make things overly complicated. While potential buyers are expected to pump the brakes on M&A in the short term to focus on managing their existing assets and integrating recent acquisitions, industry experts anticipate M&A activity to be “less cyclical” than in years past, primarily driven by the need for companies to keep pace with ever-accelerating innovation.

While Q2-Q4 2022 activity looked weak relative to Q1 2022, it was a mere mean reversion that moved us from elevated levels back to the trend line. One must remember there remains an abundance of capital ready to be deployed for dealmaking. While valuations have recovered to pre-pandemic levels, buyers are expected to focus more intently on higher-quality assets given the uncertain economic environment. Precision machining firms exhibiting above-average EBITDA margins and sales growth, niche vertical market specialization, and longstanding customer relationships are expected to remain highly attractive acquisition candidates.

US M&A – Quarterly Volume and Values by Deal Size



Source: S&P Capital IQ



Private Equity Activity

Private equity has been very active in the precision machining space, as acquirers look to expand upon existing machining capabilities, gain access to new markets, and enhance operational efficiencies by harnessing economies of scale and scope.

PRECISION MANUFACTURING PLATFORMS

PE Sponsor(s)	Platform	Relevant Recent Acquisitions
THE JORDAN COMPANY	ARCH GLOBAL PRECISION	MMS, TIER ONE, AMERICA'S PRECISION, ULTRA-DEX, KEO, RICHARD TOOL, Green Tool Systems, Inc., mimi, WILSEY, ARUNDER, Monob Machine, Production Tool & Grinding, UNIVERSAL PRECISION METALWORKS, INC., DIVERSIFIED PRECISION PRODUCTS, AEROPACIFIC, JPMC, JASCO, MSL, Valley Machine, Competitive Carbirds Inc., CLING'S, Little Rock Tools, amplify, Seabrook, RID-LOM, CHOICE
AMERICAN SECURITIES	MW Industries	Life Sciences, AMERICA'S USA, LACEY, LAVEZZI, PEP Trigon, FASTENER GROUP, INC., HELICAL PRODUCTS COMPANY, FUTURISTICS COMPONENTS
COMPASS PARTNERS PINE ISLAND CAPITAL PARTNERS	PRECINMAC Precision Machining	Major Tool & Machine, SHIELDS MANUFACTURING, VIPER NORTHWEST, PETERSEN, HOPPE TECHNOLOGIES, TRIMASTER, HPG
CORE INDUSTRIAL	INCODEMA SHAPING THE FUTURE	NEWCUT, MARK TWO ENGINEERING, CENTEX, MICROPULSE WEST, Dahlquist Precision Machining Since 1969, MAJESTIC METALS, LASER MANUFACTURING INC., PK PRECISION PRODUCTS CORPORATION
MSCH MAIN STREET CAPITAL HOLDINGS	COMPASS PRECISION	QUALITY PRODUCTS, GRAY, DOUGLAS MACHINING SERVICES, Inc., Tri-Tec Industries, R&D Machine and Engineering Inc., ADVANCED MACHINING
WHITEWOLF CAPITAL GROUP	CMT CONSOLIDATED MACHINE & TOOL	VVCO, LCP MACHINE, RLS MACHINING, SPC SPECIALTY CNC, ATI ASTRO-TEK, MMP MURPHY MACHINE PRODUCTS, aeIva Tool and Machine Corporation, MCM MILL CREEK MACHINING
MiddleGround Capital	ALCO	Manth Brownell, KADDIS MANUFACTURING CORP., TEALE MACHINE
SHOREHILL CAPITAL	TRIBUS AEROSPACE	AMT ADVANCED MACHINING & TOOLING LLC, Precision Micro Mill LLC, Midwest Precision

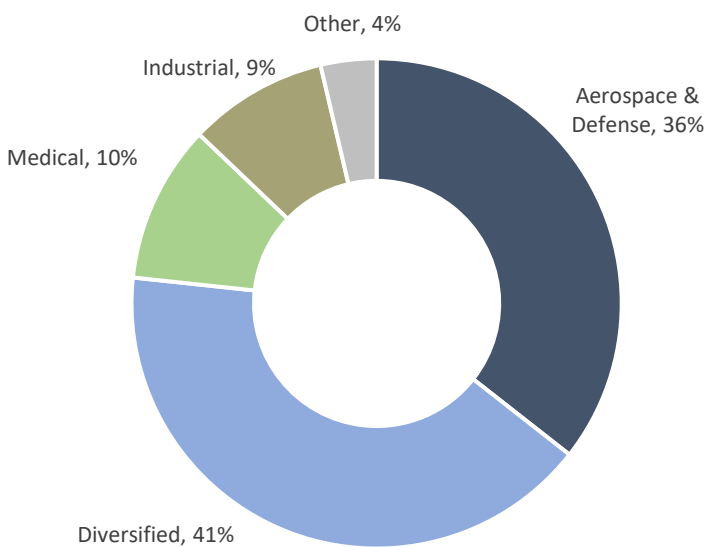


US Transactions Analysis

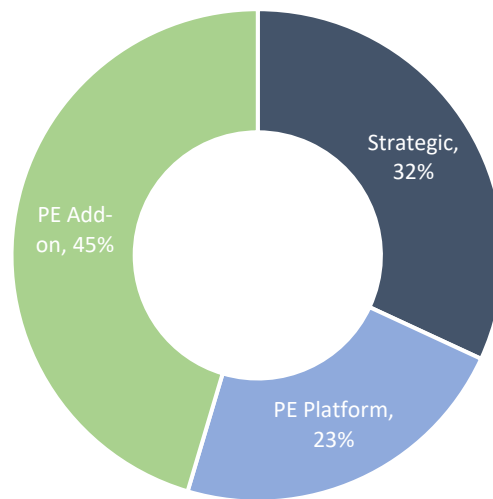
SELECTED RECENT TRANSACTIONS

Ann. Date	Target	Acquirer	Target Description
Mar-23	WHELAN M&T Machine & Tool	AJAX DEFENSE	Offers precision milling and turning services, including advanced CNC multifunctional turning and vertical machining
Feb-23	BCM Benjamin's Custom Manufacturing	ARCH MEDICAL SOLUTIONS	Manufactures precision-machined components with focus on surgical robotic applications
Jan-23	SPECIALTY PRODUCTS COMPANY	Momentum Manufacturing Group	Specializes in precision-machined components for semiconductor, medical, and defense industries
Jan-23	STANFORDVILLE MACHINE & MFG. PRECISION CNC MACHINING	CORE INDUSTRIAL	Offers CNC machining and assembly services to a variety of end markets
Nov-22	STANDARD LOCKNUT	TB TONKA BAY	Manufactures heavy-duty bearing accessories and components
Sep-22	NUSPACE	PCX AEROSYSTEMS	Specializes in design to specification and mission critical propellant and pressure vessel solutions
Jun-22	KIKSP Precision Machining, LLC	PINE GROVE HOLDINGS	Manufactures bleeder screws and screw machine parts for the automotive, aerospace, residential, and military industries
Apr-22	HONEMATIC	PCX AEROSYSTEMS	Manufactures precision hollow components and offers ID honing, CNC tuning and milling, and BTA panning

By Target End Market Focus



By Deal Type



Note: charts based on precision machining M&A transactions spanning Q1-2020 through Q3-2022.
 Source: Capital IQ, Consilium Partners research & analysis



Valuation Drivers

Acquirers consider numerous factors in assessing the value of precision machining companies. Generally, potential buyers look for well-managed, profitable companies with strong positioning in promising niches. Valuations will vary among buyers depending upon their growth strategy and the synergies expected to be realized through integration with existing platforms. Therefore, a specific company may be worth significantly more to certain buyers than others. As such, it is useful to set valuation expectations based on a range of values.

Experienced advisory firms aid business owners in assessing strengths and opportunities in their businesses, providing accurate prospective valuations and developing a marketing approach which best positions the asset in the M&A marketplace. M&A advisors manage the entire transaction process, minimizing disruptions to the business while organizing a competitive bidding process among qualified buyers. The Precision Machining Valuation Scorecard below provides more specific guidance on the key metrics buyers typically focus on when evaluating precision machining targets.

PRECISION MANUFACTURING VALUATION SCORECARD

<i>Criteria</i>	<i>Ideal Characteristics</i>
➔ Competitive Position	Acquirers tend to prefer niche and scalable businesses that have the potential to attain a premier position in their specific market vertical.
➔ Profitability	Profitability has a direct impact on valuation multiples. EBITDA margins of 20% reflect strong profitability, while margins among top performers often exceed 25%-30%.
➔ Nature of Work	High focus on assembly and design of complex mission critical engineered components and systems. Lower appetite for machining job shops focused on high volume/low value subtractive manufacturing.
➔ Target Market	Acquirers tend to assign a premium to companies that specialize in aerospace, defense, military, space and medical applications, with a lesser appetite for industry agnostic players.
➔ Customer Base	Having at least one top-tier customer tends to enhance valuations as long-term relationships with major industry players serving as proof of quality.
➔ Revenue Visibility	Future revenue visibility helps to de-risk potential investments, making the asset more attractive. As such, acquirers are frequently interested in targets with long term agreements and exposure to prominent platforms (e.g., Sikorsky CH-53K if in the A&D sector), which offer growth opportunities and long-term revenue visibility.
➔ Accounting Practices	Financial statements should be reviewed by a professional accounting firm and comply with GAAP accounting regulations. Having financials organized early saves time and potentially adds value later in the sales process during due diligence.
➔ Internal Systems	Strong internal systems with consistent KPI monitoring helps to increase operational efficiency and visibility, which in turn can support higher valuations.
➔ Equity Rollover	Private equity acquirers tend to look for a meaningful commitment from the existing management team via reinvested, or “rolled”, equity (typically in the 20 - 35% range) in order to solidify partner relationships and align incentives.



Comparable Publicly Traded Companies

As of Mar 17, 2023 (\$ in millions)

Company	Market Data			LTM Financial Performance Data					Valuation Multiples	
	% 52-Week high	Market Cap	Enterprise Value	LTM Revenue	3-Yr Rev. Growth	LTM EBITDA	Gross Margin	EBITDA Margin	EV / Revenue	EV / EBITDA
Illinois Tool Works Inc. (NYSE:ITW)	90.9%	\$ 70,269	\$ 77,511	\$ 15,932	1.6%	\$ 4,241	42.5%	26.6%	4.9x	18.3x
Howmet Aerospace Inc. (NYSE:HWM)	91.2%	16,677	20,218	5,663	2.3%	1,260	28.2%	22.2%	3.6x	16.0x
Curtiss-Wright Corporation (NYSE:CW)	93.0%	6,496	7,665	2,557	1.4%	553	41.7%	21.6%	3.0x	13.9x
Crane Holdings, Co. (NYSE:CR)	90.4%	6,314	7,000	3,375	1.5%	647	43.2%	19.2%	2.1x	10.8x
ESCO Technologies Inc. (NYSE:ESE)	87.5%	2,293	2,438	886	3.2%	165	41.2%	18.6%	2.8x	14.8x
Barnes Group Inc. (NYSE:B)	80.8%	1,937	2,458	1,262	(0.2%)	242	41.0%	19.2%	1.9x	10.2x
Kaman Corporation (NYSE:KAMN)	48.2%	629	1,179	688	0.7%	99	36.6%	14.4%	1.7x	11.9x
Harmonic Mean							38.4%	19.7%	2.5x	13.2x
Median							41.2%	19.2%	2.8x	13.9x

PRECISION MANUFACTURING: PUBLIC MARKET VALUATIONS

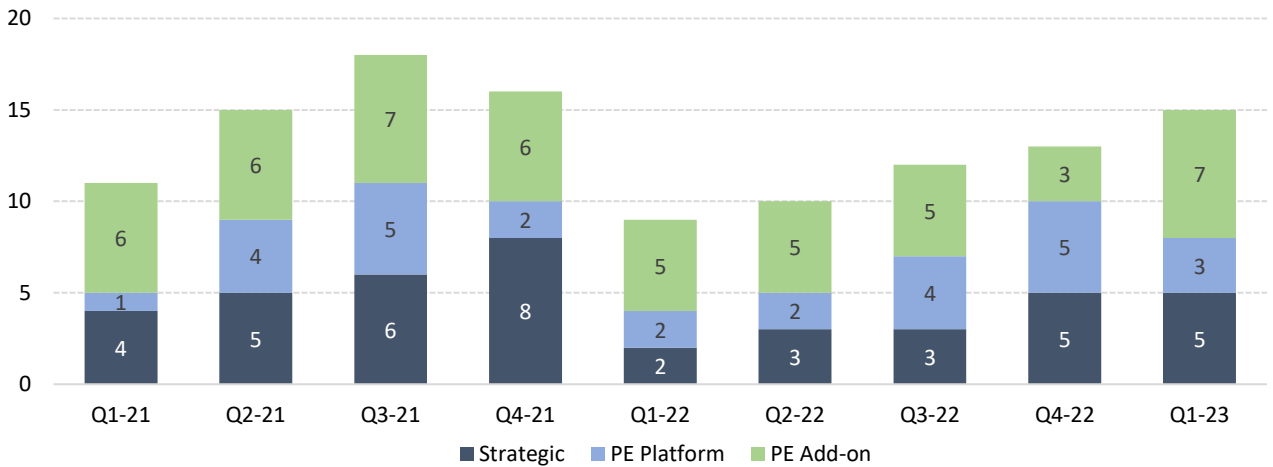


Note: Index constituents listed in the above table of public comparable companies.



Recent Transactions

Precision Manufacturing M&A Transaction Volumes by Quarter



Source: S&P Capital IQ, public press releases, Consilium analysis

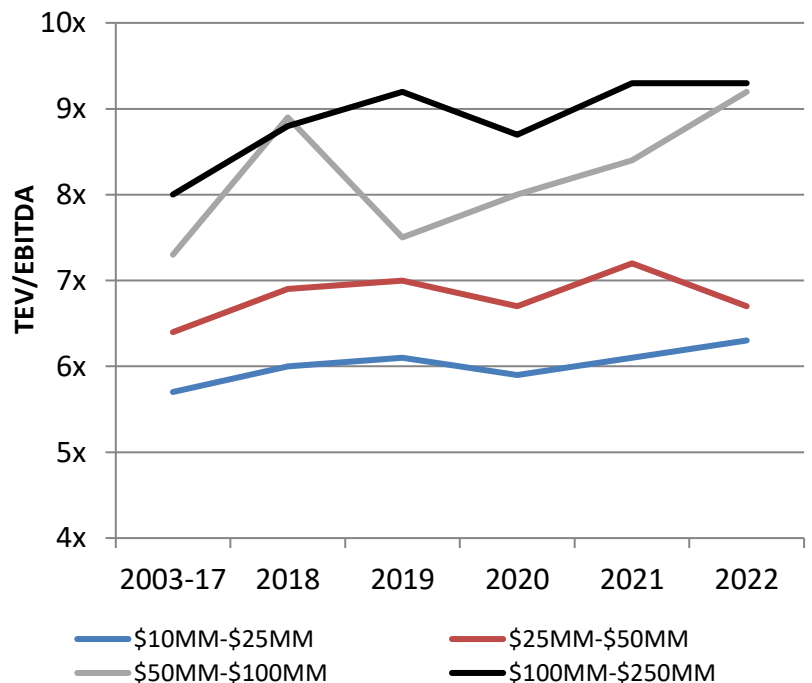
Middle Market Precision Turned Product Manufacturing Valuation Multiples

NAICS Code: 332721

TEV Range	TEV/Revs
10 - 25	0.8
25 - 50	1.3
50 - 250	1.3
Total	1.2

TEV Range	TEV / EBITDA
10 - 25	4.7
25 - 50	5.8
50 - 250	6.6
Total	5.9

Middle Market Private Equity Valuation Multiples



Source: GF Data®



2023 Precision Manufacturing Transactions

Date	Target	Acquirer	Target Business Description	Value (\$MM)
Mar-23	Whelan Machine & Tool, LLC	Ajax Defense	Whelan Machine & Tool, LLC manufactures and provides precision machined products and services.	-
Feb-23	D&R Machine Company, Inc.	Cadrex Manufacturing Solutions	D&R Machine Company, Inc. manufactures and markets general and precision machined components for aerospace, commercial, military, and transportation industries.	-
Feb-23	Bettanini's Custom Manufacturing, Inc.	ARCH Medical Solutions Corp.	Bettanini's Custom Manufacturing, Inc. manufactures CNC-machined components for various industries.	-
Feb-23	Clark Manufacturing Company	Century, Inc.	Clark Manufacturing Company manufactures and supplies machining parts.	-
Jan-23	Atelier D'usage Megatech A.Q. Inc.	MiddleGround Management, LP	Atelier D'usage Megatech A.Q. Inc. offers machining services for precision measuring equipment.	-
Jan-23	Specialty Products Company	Momentum Manufacturing Group	Specialty Products Company owns and operates a precision CNC machine shop.	-
Jan-23	T & T Machine Inc.	Precision Manufacturing Enterprise, LLC	T & T Machine Inc. manufactures CNC machine parts.	-
Jan-23	Cameron Tool Company, LLC	Tool Tech LLC	Cameron Tool Company, LLC designs, manufactures, and repairs tools and dies.	-
Jan-23	Lake Air Metal Products, LLC	P4G Capital Management, LLC	Lake Air Metal Products, LLC provides sheet metal fabrication and machining components for various industries.	-
Jan-23	Schultes Precision Manufacturing, Inc.	Helios Technologies, Inc. (NYSE:HLIO)	Schultes Precision Manufacturing, Inc. manufactures machine components and assemblies.	85
Jan-23	Swiss Precision Turning, Inc.	Geokon, Incorporated	Swiss Precision Turning, Inc. manufactures precision machine.	-
Jan-23	Kelm Acubar, LC	The Armor Group, Inc.	Kelm Acubar, LC manufactures OEM and aftermarket machined components and provides precision machining services to various industries.	-
Jan-23	Stanfordville Machine & Manufacturing, Inc.	CORE Industrial Partners, LLC	Stanfordville Machine & Manufacturing, Inc. supplies mechanical parts and assemblies.	-
Jan-23	Alexander Machine & Tool Company, Inc.	George Industries LLC	Alexander Machine & Tool Company, Inc. operates as a provider of machining, fabrication, and assembly solutions for thermal management applications.	-
Jan-23	Utitec, Inc.	Cadence, Inc.	Utitec, Inc. manufactures precision metal components used in assembly of cardiological, endoscopic and orthopedic medical instruments.	-



Notable Transactions



a portfolio
company of

MSCH

MAIN
STREET
CAPITAL
HOLDINGS

has acquired

Main Street Capital portfolio company Compass Precision has acquired R&D Machine and Engineering (April 2022, financial terms not disclosed)

Compass Precision LLC, a precision machining and fabrication company, has acquired R&D Machine and Engineering, a leading manufacturer of precision metal components based in Oldsmar, FL. Compass Precision was established after private equity firm Main Street Capital acquired Quality Products & Machine, LLC, Advanced Machining & Tooling, LLC, and Tri-Tec Industries Inc. in October 2019. It exists mainly as a platform for Main Street to acquire other precision metal machining companies.

“R&D fits in perfectly with our strategy of building a decentralized collection of high-quality precision machine shops serving growth markets,” commented Compass President and CEO, Gary Holcomb.



R&D Machine



a subsidiary of



has acquired



ARCH Global Precision subsidiary ARCH Medical Solutions has acquired Wilsey Tool Company, Isimac Manufacturing Company, and Choice Precision (Sept 2021, financial terms not disclosed)

ARCH Medical Solutions, an ARCH Global Precision Company (Jordan Company platform), has acquired three VfD Technologies companies: Wilsey Tool Company, Inc. in Quakertown, PA; Isimac Manufacturing Company, Inc. in Blandon, PA; and Choice Precision, Inc. in Whitehall, PA. All three companies specialize in precision contract manufacturing for the medical device industry. The new acquisitions solidify ARCH as an industry-leading supplier known for growth and scale in the medical products market.

“By joining forces, we will be able to offer expanded capabilities and capacity for our customers, and our employees will have broadened opportunities for growth and development,” said Elizabeth Rothwell, Chief Commercial Officer at VfD and continuing President of ARCH Medical Solutions.



a portfolio
company of



has acquired

Pine Island Capital & Bain Capital Credit platform company Precinmac Precision Machining has acquired Major Tool & Machine, Inc. (Sept 2021, financial terms not disclosed)

Precinmac Precision Machining, a diversified manufacturer of high-precision machined components and assemblies, has purchased Indianapolis-based Major Tool and Machine. Major Tool and Machine serves a range of end markets, with its products used in A&D, power generation, energy, semiconductor, and oil and gas applications. The acquisition expands Precinmac's capabilities and differentiated value proposition to customers.

Eric Wisniefsky, CEO of Precinmac, said: "This acquisition is another step in the advancement of our multi-faceted strategy to expand our business through acquisitions in all sectors of the industry base."





Transaction Spotlight: Honematic Machine Corp.



acquired by



a portfolio company of



Honematic is a leading provider of extendable refueling probes for the rotorcraft market. Its precision machining competencies including large-format drilling, honing, CNC turning, milling, and boring, and assembly services for mission-critical A&D and industrial applications. The Company’s products are used as critical components in platforms for major OEMs such as Sikorsky, Triumph, and Thomson.

The acquisition supports PCX’s expansion in the area of complex, highly engineered components for military and commercial applications. Additionally, the transaction enables vertical integration of many of PCX’s existing production processes on flight-critical masts and shafts.

Consilium Partners served as Honematic’s exclusive sell-side financial advisor on this transaction.

Other Precision Components Transactions



acquired by



Manufacturer of engineered plastic components for the automotive, water treatment, and industrial sectors



acquired by



Diversified manufacturer of proprietary branded and custom plastic products for consumer packaging, medical devices, and industrial customers



acquired by

COMPANIA TROQUELADORA ARDA, S.A. de C.V. and ISCO TECHNIC B.V.

Manufacturer and supplier of metal stampings, surgical appliances, surgical bending irons, and related products



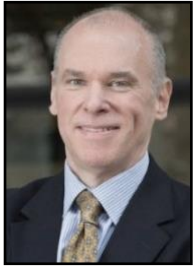
acquired by



Manufacturer of printing plates, with products including Anthem, Freedom, and Aurora chemistry free printing plates

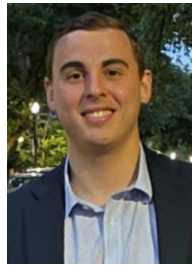


Consilium Overview



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Sr. Managing Director

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gbs@cpboston.com



Viktor Lobov
Associate

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vl@cpboston.com

About Consilium

Established in 2000, Consilium Partners is a Boston-based investment bank providing M&A Advisory, Growth Capital Raising and Strategic Advisory Services to middle market growth companies. Each of our Managing Directors has more than two decades of transaction experience and have collectively completed more than 250 transactions representing over \$15 billion in aggregate value. Every engagement is personally managed from start to finish by experienced senior bankers with specific sector experience and a deep commitment to the success of our clients.

Precision Manufacturing Transaction Experience

HONEMATIC
YOUR COMPLETE SOURCE for Precision Hollow Components

acquired by

PCX
AEROSYSTEMS

a portfolio company of

GREENBRIAR

dynawave

acquired by

Winchester
Interconnect.

a subsidiary of

• APTIV •

Plastifab

acquired by

REGIMEN PARTNERS

EBTEC

acquired by

EDAC
TECHNOLOGIES

S&L PLASTICS, INC.
WHERE PLASTICS TAKE SHAPE

acquired by

Airlite
PLASTICS

SINCE 1946

PRECISION LITHOGRAPHING
Printing Plates That Perform™

acquired by

PRESSTEK
A SMARTER WAY TO PRINT

Lamsco West
Division of

ALINABAL
THE ALINABAL GROUP OF COMPANIES

acquired by

COMPASS AEROSPACE

MESTEK, INC.

has acquired

National Northeast
Corporation