



CONSILIUM PARTNERS

Precision Manufacturing

Industry Update | August 2024

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INDUSTRY OVERVIEW

Technological advancements are driving global innovation and growth, leading to a surge in demand for precision in mission-critical products and robust M&A activity within the precision machining sector. This expansion is fueled by the increasing need for high-precision components in industries such as aerospace, automotive, medical devices, and electronics. To stay competitive, companies are actively pursuing strategic acquisitions to enhance their technological capabilities and expand their market presence.

The sector's strong growth potential and defensibility continue to attract significant interest from both financial and strategic investors. These investors are engaging in roll-up strategies, targeting larger platform companies and smaller complementary businesses to broaden their capabilities and geographic reach. Concurrently, the industry is experiencing a transformation driven by advancements in automation and digitalization. Companies are investing heavily in IoT-enabled machinery, AI-driven analytics, and robotics, which not only boost operational efficiency and reduce costs but also enhance their appeal to investors. This technological evolution positions precision machining firms at the forefront of Industry 4.0, ensuring they remain competitive in a rapidly evolving marketplace.

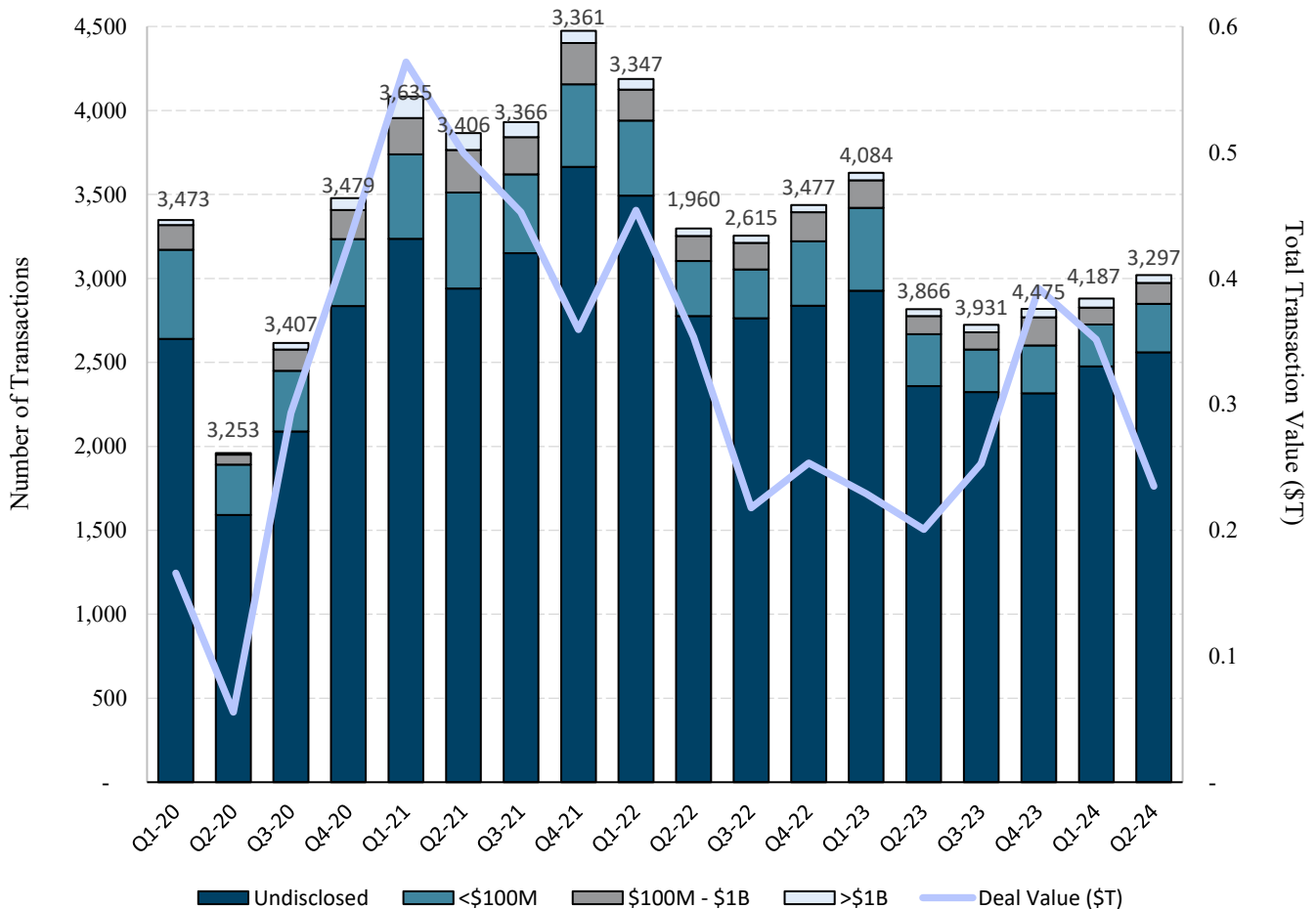


US M&A Overview

US M&A activity has been characterized by a mixture of resilience and uncertainty. While dealmaking has shown signs of recovery from the disruptions of the past couple of years, challenges persist. The market has witnessed a steady flow of transactions across various sectors, indicating continued investor interest and confidence. However, economic uncertainties, regulatory changes, and geopolitical tensions have added layers of complexity to deal negotiations. Despite these challenges, strategic buyers, private equity firms, and other investors remain active, seeking opportunities to capitalize on market conditions and strategic synergies.

The uptick in M&A volumes observed in Q2 2024 presents a promising sign of a potential market recovery. Moreover, with the Federal Reserve anticipated to lower borrowing costs for buyers in the September meeting, the environment is becoming increasingly favorable for further dealmaking. Additionally, the growing private equity dry powder that needs to be deployed is poised to fuel additional transaction activity, contributing to the overall momentum in the M&A market for 2024.

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



Source: S&P Capital IQ

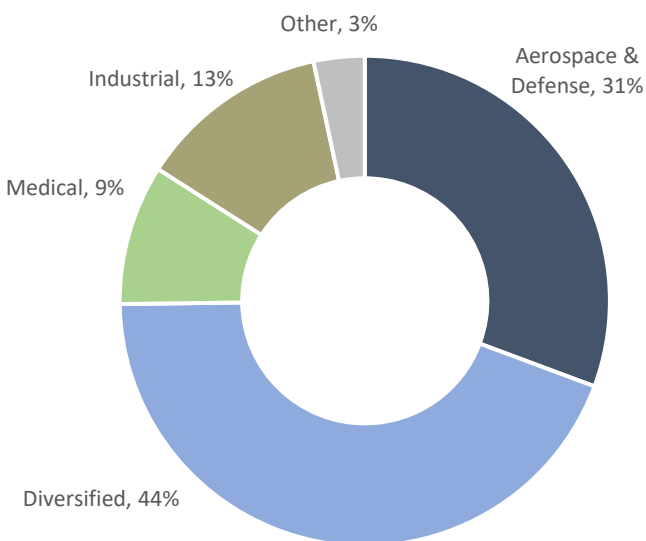


US Transactions Analysis

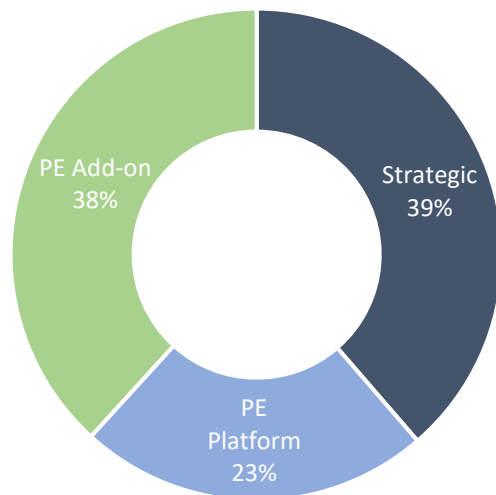
SELECT RECENT TRANSACTIONS

Ann. Date	Target	Acquirer	Target Description
May-24	National Manufacturing Co. Inc.	PRECISION GROUP	Offers precision deep and shallow drawn enclosures and metal components, high-speed CNC milling and turning
April-24	KAMAN	ARCLINE INVESTMENT MANAGEMENT	Produces a wide range of precision products including aircraft components, bearings, and power transmission products
Jan-24	Samtan	FAIRBANKS MORSE DEFENSE	Produces drawn and stamped components and assemblies for private sector and U.S. federal government defense markets
Jan-24	VANDERHORST BROTHERS, INC.	stellax maranon	Manufacturer of precision components intended for the aerospace, defense, and space industries
Dec-23	Paragon Medical	AMETEK	Manufactures medical devices focusing on the orthopedic, case and tray, implant and instrument markets
Nov-23	Thermalax	dubal HOLDING	Aluminum extrusion company specializing in multiport extruded tubes
Aug-23	PYRAMID PRECISION MACHINE INC.	ARCLINE INVESTMENT MANAGEMENT	Manufacturer of high-complexity, close-tolerance, machined components and sub-assemblies

By Target End Market Focus



By Deal Type



Note: charts based on precision machining M&A transactions spanning Q1-2021 through Q2-2024.
 Source: Capital IQ, Consilium Partners research & analysis



Valuation Drivers

Buyers evaluating precision machining companies consider various factors to determine their value. They seek well-managed, profitable firms with strong market positions in lucrative niches. Valuations differ based on buyers' growth plans and expected synergies from integration. Thus, a company may hold more value for certain buyers than others, making it important to set valuation expectations across a range.

Experienced advisory firms play a pivotal role in assisting business owners by evaluating strengths, identifying opportunities, and providing precise valuations. Additionally, they develop effective marketing strategies to attract potential buyers in the M&A market. Throughout the transaction process, M&A advisors ensure minimal disruption to the business and orchestrate competitive bidding among qualified buyers. This thorough approach not only maximizes the value of the transaction but also safeguards the interests of the business owners. The Precision Machining Valuation Scorecard outlines key metrics buyers typically prioritize when evaluating such targets, ensuring transparency and alignment of expectations throughout the deal-making process.

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 Aug 27, 2024 (\$ 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)	91.7%	\$ 73,809	\$ 81,421	\$ 16,014	(0.2%)	\$ 4,663	44.6%	29.1%	5.1x	17.5x
Howmet Aerospace Inc. (NYSE:HWM)	98.8%	39,443	42,563	7,093	2.2%	1,665	29.4%	23.5%	6.0x	25.6x
Curtiss-Wright Corporation (NYSE:CW)	99.3%	12,022	12,813	3,008	1.9%	668	41.1%	22.2%	4.3x	19.2x
Crane Holdings, Co. (NYSE:CR)	94.8%	8,804	8,967	2,210	1.9%	400	40.2%	18.1%	4.1x	22.4x
ESCO Technologies Inc. (NYSE:ESE)	95.1%	3,073	3,241	1,001	1.1%	194	41.4%	19.3%	3.2x	16.7x
Barnes Group Inc. (NYSE:B)	86.5%	1,987	3,090	1,589	3.1%	332	39.7%	20.9%	1.9x	9.3x
Harmonic Mean							38.7%	21.7%	3.6x	16.7x
Median							40.7%	21.5%	4.2x	18.3x

PRECISION MANUFACTURING: PUBLIC MARKET VALUATIONS

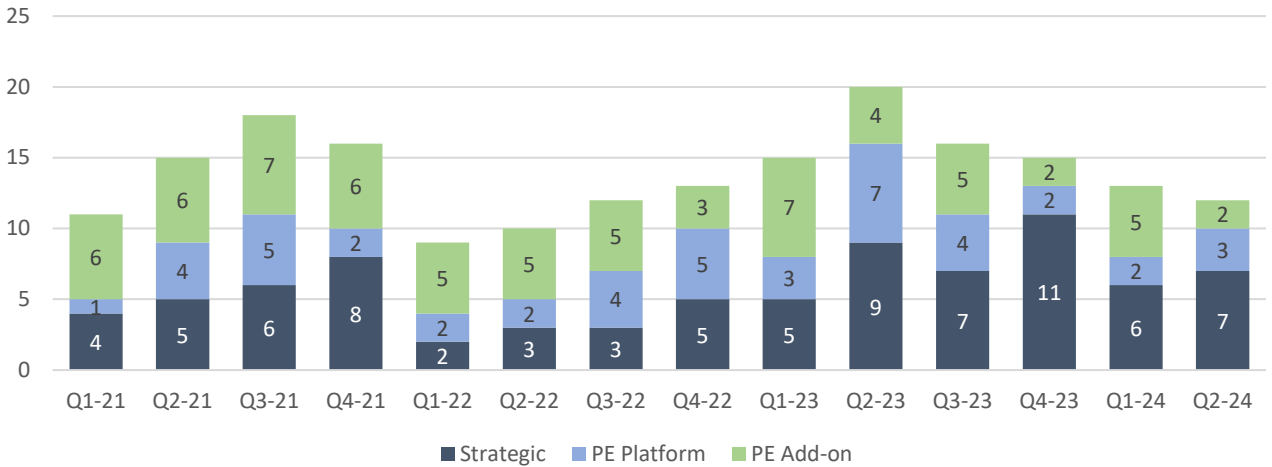


Note: Index constituents listed in the above table of public comparable companies.



Recent Transactions

Precision Manufacturing M&A Transaction Volumes by Quarter



Source: S&P Capital IQ, Public Press Releases, Consilium Analysis

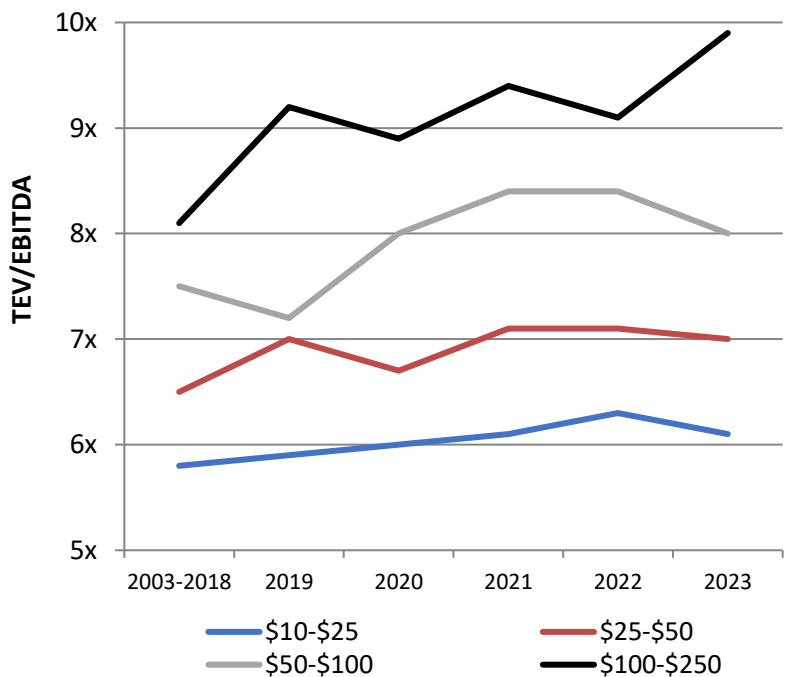
Middle Market Precision Turned Product Manufacturing Valuation Multiples

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



Precision Manufacturing Transactions

Date	Target	Acquirer	Target Business Description	Value (\$MM)
Aug-24	Innodyne Systems	FCAH Aerospace	Provides MRO, DER, and OPP component services for airframe, composite, and electronic components	-
Jun-24	LHACST, LLC	Engineered Materials Solutions, Inc.	Manufactures custom high-precision thin metal products for medical, automotive, microwave, office and industrial automation markets	-
Jun-24	The LINE Group, Inc.	Ward Manufacturing Co.	Manufactures precision metal stampings, metal fabrications, and electromechanical assemblies	-
May-24	National Manufacturing Co., Inc.	PrecisionX Group	Offers precision deep and shallow drawn enclosures and metal components, high-speed CNC milling and turning	-
May-24	Owens Machine and Tool Company	Precision Aerospace Holdings, LLC	Manufactures specialized machined tools and parts for the aerospace, defense, gas and oil, medical, and entertainment industries	-
Mar-24	Bradford Machine	Prince Industries	Manufacture components for medical, optical, power generation, aerospace, and other commercial sectors	-
Feb-24	Anillo Industries Inc.	Novaria Holdings LLC	Manufactures and supplies OEM washers, bushings, shims, and stampings to the aerospace industry	-
Jan-24	Vanderhorst Brothers, Inc.	RTC Aerospace LLC	Manufacturer of precision components intended for the aerospace, defense, and space industries	-
Jan-24	Kaman Corporation	Arcline Investment Management	Produces aircraft bearings, miniature ball bearings, spring energized seals, hydraulic components, aerostructures, and missile/bomb arming solutions for aviation and military use	1,884
Jan-24	Samtan Engineering Corporation	Fairbanks Morse Defense	Metalworking supplier with services such as shearing, punching, forming, machining, welding, and assembly capabilities	-
Nov-23	Thermalex, Inc.	Dubal Extrusion Investment LLC	Manufactures aluminum alloy extrusions for automotive, truck, industrial, commercial, and residential, air conditioning, refrigeration, and electronic thermal heat transfer applications	-
Oct-23	Paragon Medical, Inc.	METEK, Inc. (NYSE:AME)	Designs and develops surgical instruments, implantable components, and cases and trays for the medical device marketplace	1,900
Oct-23	East Iowa Machine Company, LLC	Steel Technologies LLC	Advanced manufacturer of high value-add metal components and assemblies for diverse end markets	-
Sep-23	Connor Manufacturing Services, Inc.	Amphenol Corporation (NYSE:APH)	Provides precision metal stampings, wire-forms, springs, and integrated assembly manufacturing solutions	-
Sep-23	Elgin Fastener Group LLC	Sussex Wire, Inc.	Manufactures and supplies industrial and special fasteners in the United States	-



Notable Transactions

ARCLINE
INVESTMENT MANAGEMENT

has acquired

Arcline Investment Management has acquired Kaman Corp (NYSE:KAMN) (April 2024, \$1.9 billion)

Arcline Investment Management, a leading private equity firm with \$8.9 billion in cumulative capital commitments has acquired Kaman Corp, a manufacturer of precision products including aircraft components, bearings, and power transmission products based in Bloomfield, Connecticut. Kaman primarily conducts business in the aerospace & defense, industrial and medical markets.



"Kaman has long been a trusted solutions provider of engineered components and subsystems to mission-critical markets, and we believe the Company is in a strong position to grow and benefit from attractive tailwinds," commented Arcline Investment Management.



*a portfolio
company of*



has acquired

Stellex Capital & Maranon Capital platform company RTC Aerospace, LLC has acquired Vanderhorst Brothers, Inc (Jan 2024, financial terms not disclosed)

RTC Aerospace, a manufacturer of high-precision components for defense and aerospace, has acquired Vanderhorst Brothers ("VBI"), a manufacturer of complex machined components and high-precision parts for Aerospace and Defense industries based in Simi Valley, CA. The combination will enable RTC and VBI to expand their product portfolios and capabilities to provide innovative solutions that will further service the growing needs of their customers.



"We are not only expanding our capabilities and complementing our customer base, but we are also reinforcing our presence in Southern California as the supplier of choice," commented Frank Giron, CEO of RTC.



has acquired

AMETEK (NYSE:AME) has acquired Paragon Medica (October 2023, \$1.9 billion)

Global leader in electronic devices manufacturing, AMETEK (NYSE:AME), announced its acquisition of Paragon Medical, a manufacturer of highly engineered medical instruments for \$1.9 billion. Paragon Medical serves a wide range of specialty applications including orthopedics, minimally invasive surgery, robotic surgery, and drug delivery. Paragon's product portfolio includes single-use and consumable surgical instruments, and implantable components sold to a diverse blue-chip customer base of leading medical device manufacturers.



"Paragon meaningfully expands our presence in the MedTech space and provides us access to attractive new market segments with strong growth rates. Its products and capabilities nicely complement AMETEK's existing medical businesses enabling geographic and customer expansion opportunities," commented AMETEK CEO David Zapico.



Transaction Spotlight: Axial Medical



acquired by

Acrotec Group

a portfolio company of

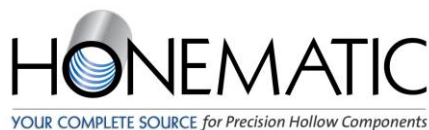
CARLYLE

Axial is a leading manufacturer of high-precision components for the medical industry. Axial focuses on the high-volume production of orthopedic implants for spine, trauma, and extremity treatments, and is an approved supplier for a wide range of Medtech OEMs globally.

Axial presented Acrotec with business offering access to the attractive US Medtech sector while also being an ideal fit for Acrotec's federated business model. By integrating Axial into their portfolio, Acrotec enabled the Axial team to continue its trajectory of growth and innovation while benefiting from Acrotec's extensive resources and industry expertise.

Consilium Partners served as Axial's exclusive sell-side financial advisor on this transaction.

Transaction Spotlight: Honematic Machine Corp.



acquired by



a portfolio company of

GREENBRIAR

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.



Consilium Overview



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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



acquired by

Acrotec Group
a portfolio company of

CARLYLE



acquired by



a portfolio company of

GREENBRIAR



acquired by



a subsidiary of

• APTIV •

Plastifab

acquired by




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Lamsco West
Division of



acquired by

