



Metals Service Center Institute
100 YEARS **STRONG**™

M&A -- the Optimal Path to Service Center Growth

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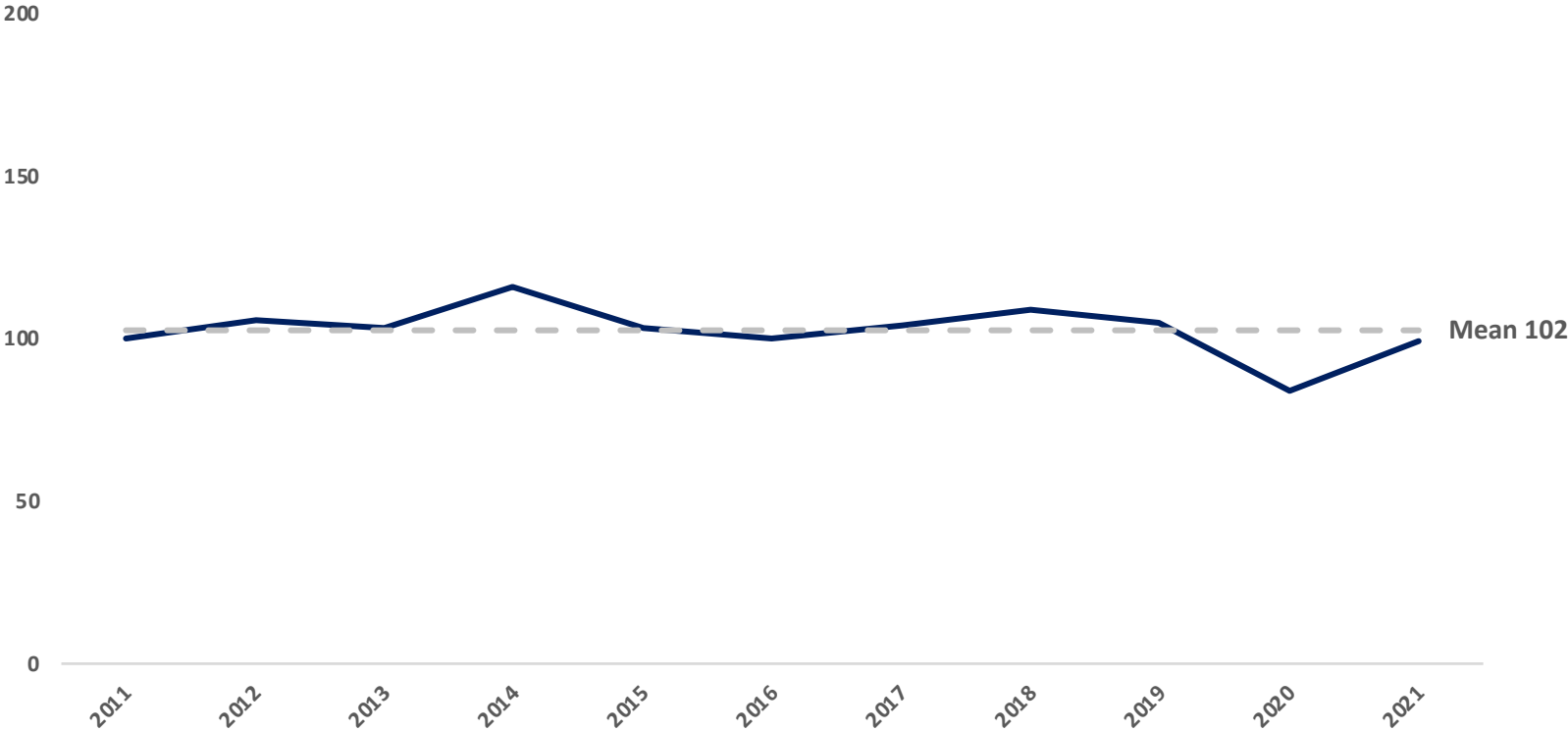
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No-growth North American metals market

Apparent U.S. Steel Consumption (millions tons per year) ⁽¹⁾



(1): Source: AISI. LTM total steel mill product shipments + imports – exports – semifinished steel product imports.

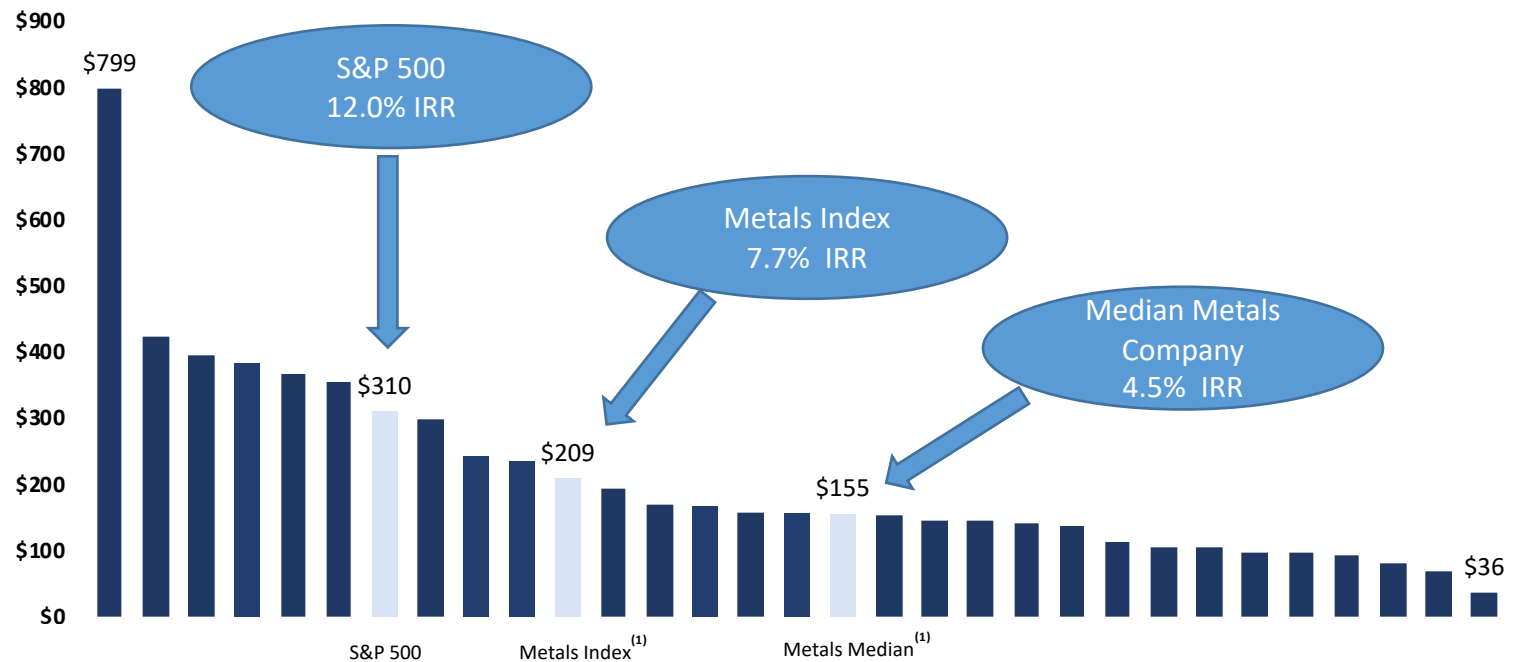


Is “service center growth” an oxymoron?



Individual company performances vary widely

10-Year Company Returns (\$100 Invested in Year 1)

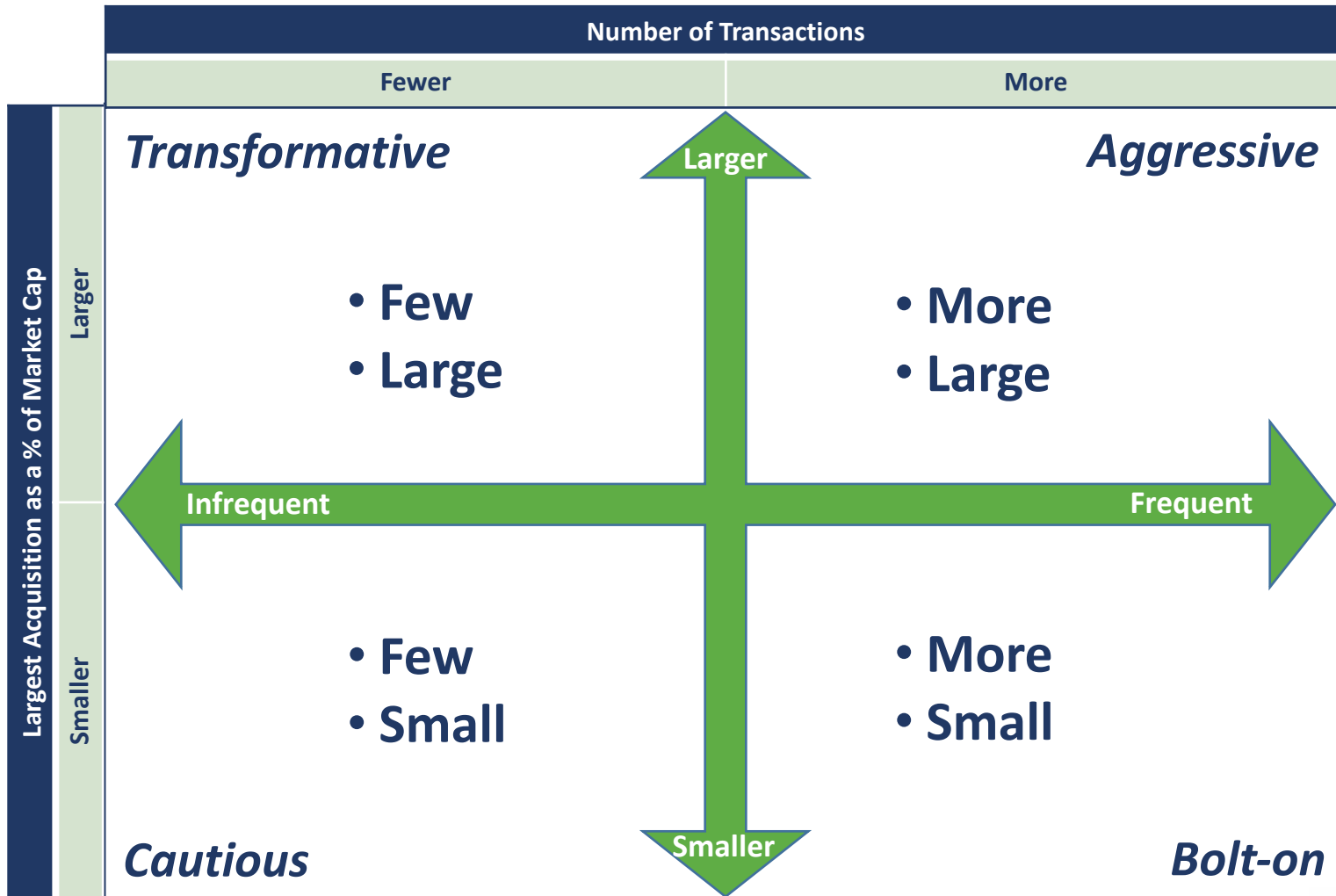


Source: Capital IQ

(1): Companies include: AA, ATI, AMG, AZZ, BOOM, CENX, CMC, CRS, HAYN, IJIN, KALU, MRC, MTRN, MWA, NWPX, NUE, ROCK, RS, RUS, RYI, SCHN, STLD, TMST, USAP, VMI, WOR, X, ZEUS, equal weighted – assumes reinvested dividends

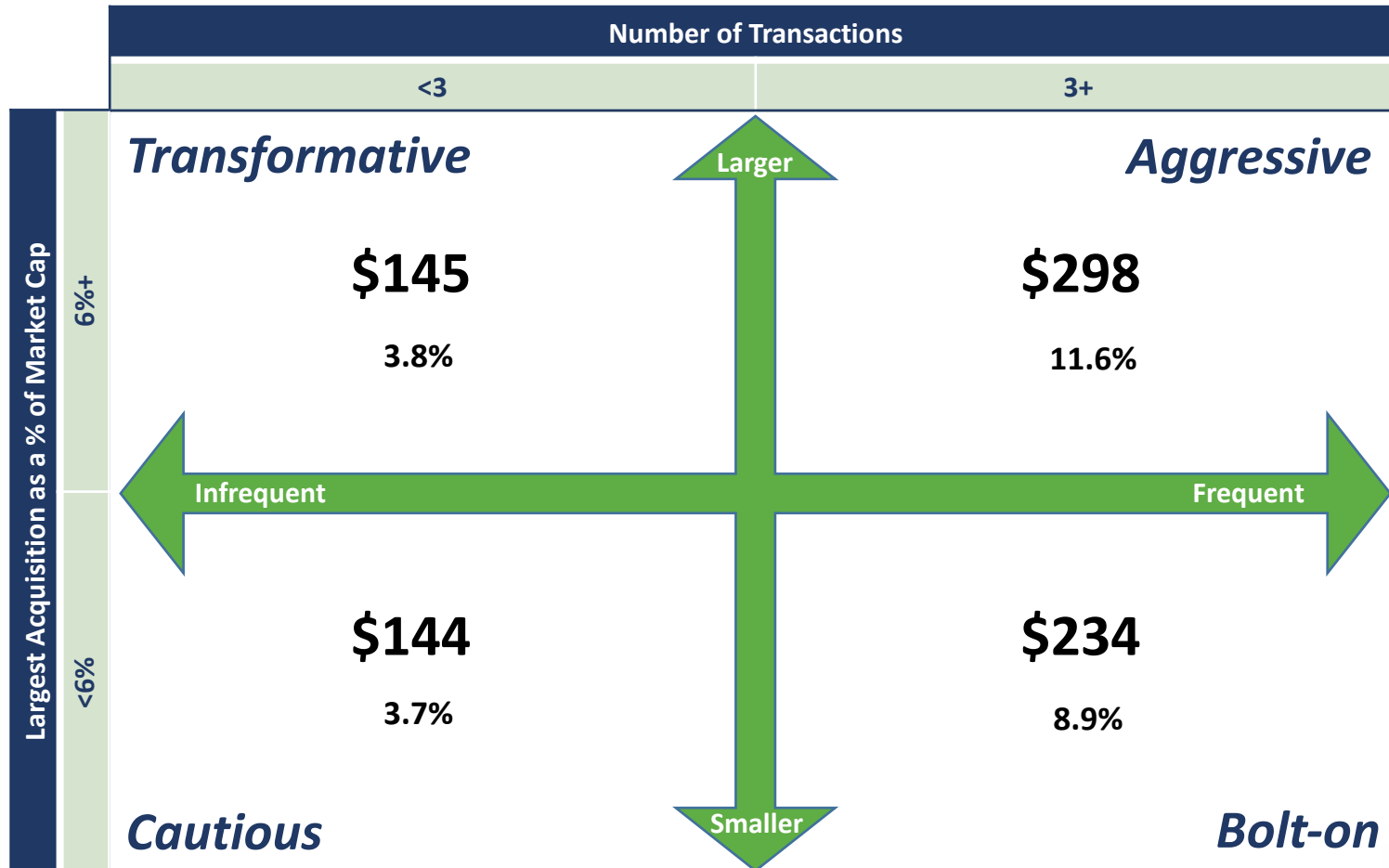


M&A strategy matrix



Metals M&A creates shareholder value

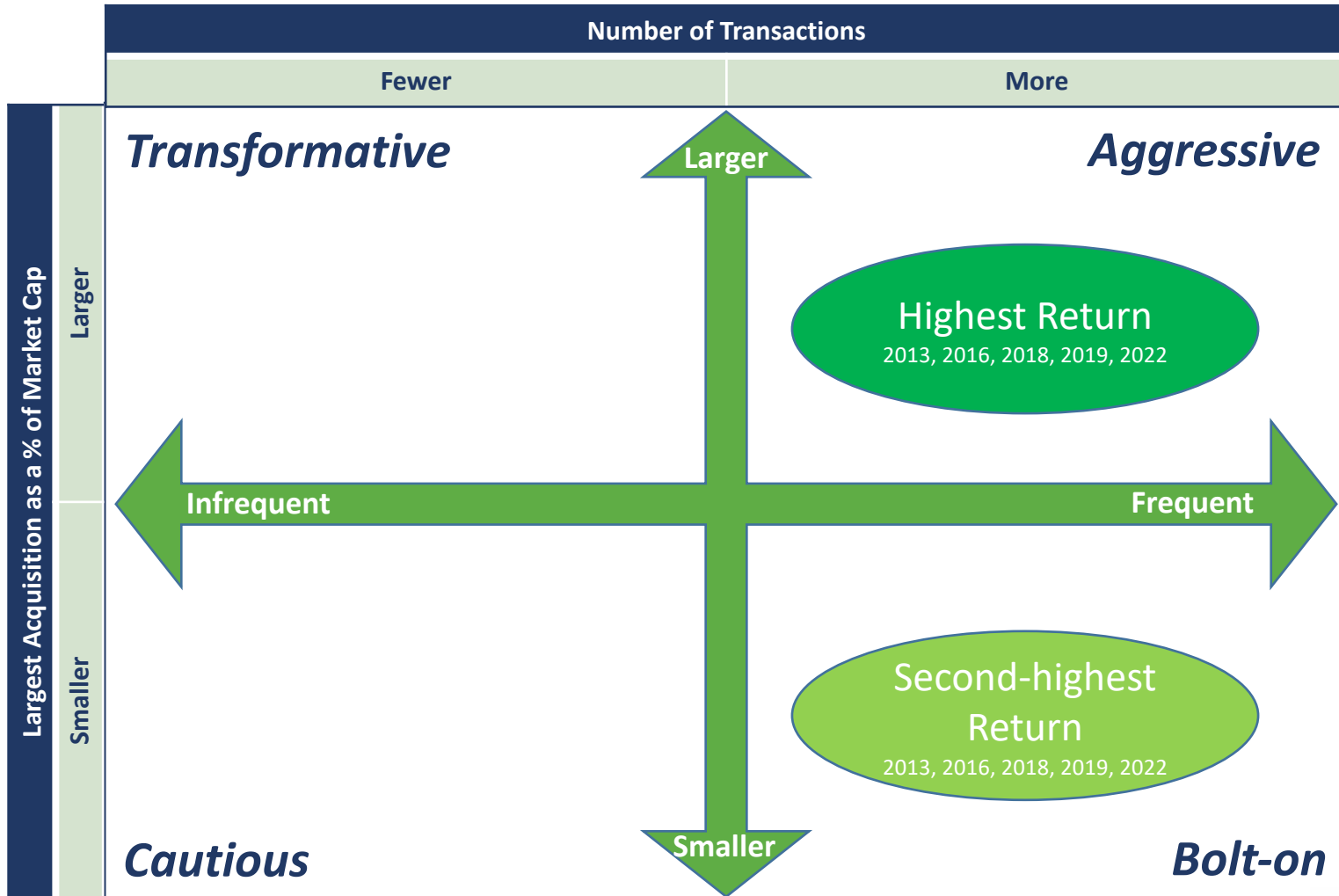
Median value of \$100 invested 10 years ago / annual IRR



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100% consistent with past results



M&A creates shareholder value in metals



Sources of value creation

Operating Synergies

- Overhead / SG&A
- Operating efficiencies
- Freight
- Purchasing
- Revenue
- Private company “costs”

Financial Synergies

- Leverage
- Capital efficiency / avoidance
- Working capital
- Borrowing costs
- “Multiple arbitrage”

Potential pitfalls

Operating

- Culture
- Complexity

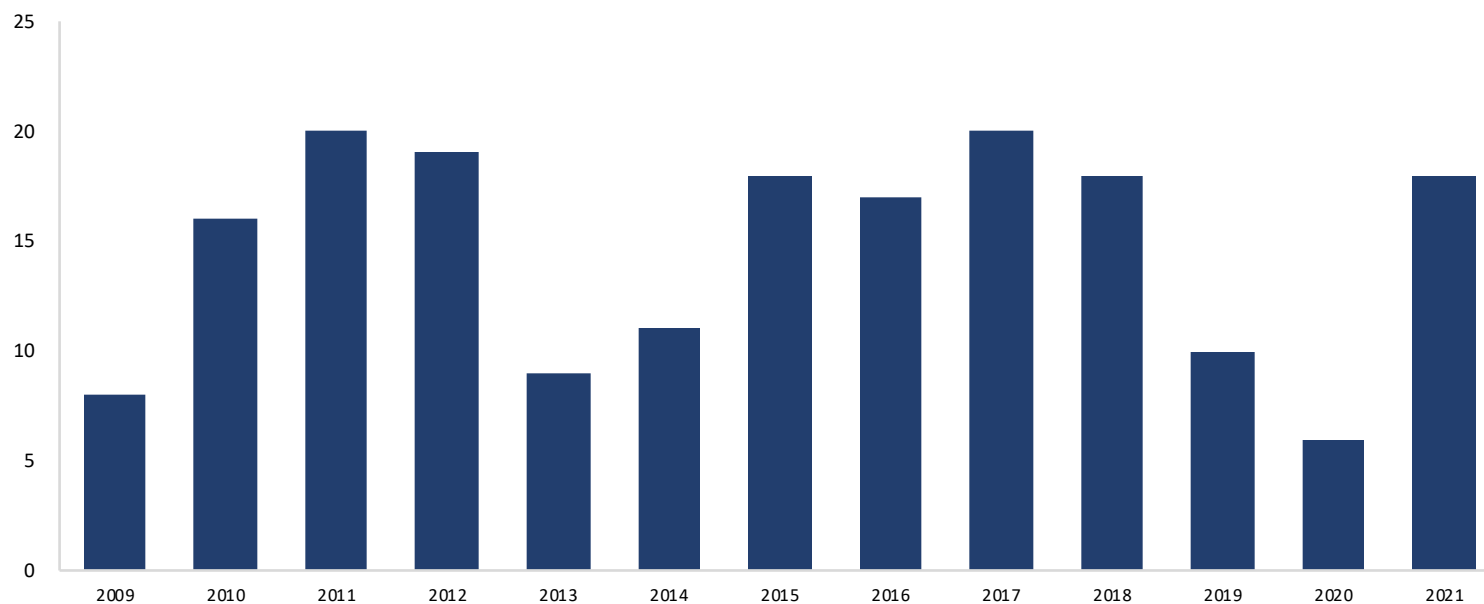
Financial

- Leverage
- Cyclicity



Metals cycle plays a meaningful role

N.A Metals M&A Volume (number of transactions) ⁽¹⁾



(1) Source: Capital IQ - Transactions greater than \$25 million.

Private? Determine you goals

Pass to next generation

Maximize value

Retain employees

Preserve wealth

Leave in good hands

Generate income

Move to Florida

Diversify

Cement legacy

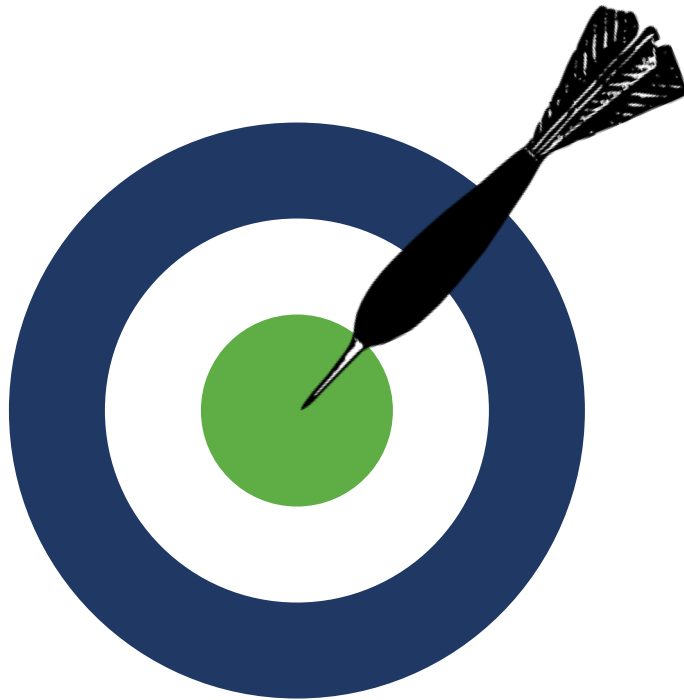


Should I be a buyer or seller?

Answer these questions:

- Does the balance sheet have capacity to conservatively fund acquisitions?
- Do we have the people, expertise, culture, and systems to integrate and operate the target?
- Are there viable acquisition targets (size, fit, geography, strategy, culture)?
- **Can we grow the *value* of the Company faster than the stock market, while taking appropriate risk?**

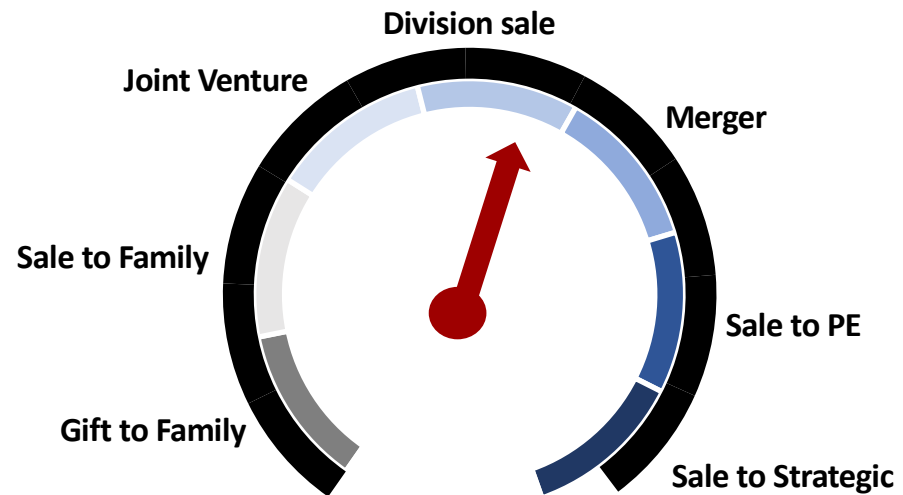
Buyer? Define your targets and reach out



- Synergy Potential
- Geography
- Material and form
- Size
- Well run or “fixer-upper”

Seller? Get prepared and consider structures

- Get emotionally prepared
- Assemble your team
- Get tactically prepared
- **Choose** your timing



M&A Tachometer

Conclusions

- M&A is the optimal path to service center growth
- All M&A transactions have a buyer and a seller – which are you?
 - **Buyer** – define your targets and reach out
 - **Seller** – hire your team, get prepared, consider the spectrum of transaction, then choose your timing
- Metals sector cyclicalities has implications for value
- Thorough due diligence can help avoid the pitfalls

Ignoring M&A is a strategic decision with consequences

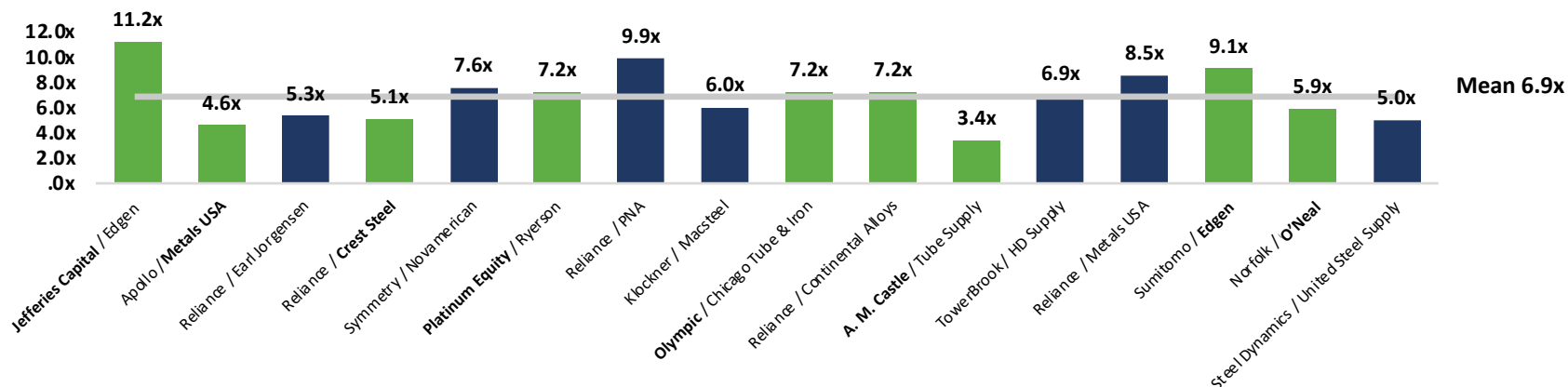


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Know the value of your company


Metals Service Center Transaction Multiples (TEV / LTM EBITDA)



Metals Service Center Public Company Multiples

Company Name	Stock Price	Equity Value	Enterprise Value	Enterprise Value /				EBITDA - CapEx
	As of			EBITDA				EBITDA - CapEx
	10/18/2022			LTM	2022E	2023E	Mid-Cycle (1)	2022E
Company A	\$7.20	\$706	\$1,612	2.0x	3.6x	6.9x	5.7x	4.7x
Company B	\$24.52	\$273	\$582	2.6x	4.0x	10.0x	7.0x	4.0x
Company C	\$184.62	\$11,132	\$12,504	4.4x	4.7x	6.7x	8.6x	5.4x
Company D	\$25.95	\$1,187	\$1,349	2.8x	3.4x	5.3x	6.1x	3.7x
Company E	\$31.20	\$1,156	\$1,872	2.1x	2.5x	8.1x	6.5x	2.9x
Median		\$1,156	\$1,612	2.6x	3.6x	6.9x	6.5x	4.0x

Acquirer / Target

 Indicates Peter Scott was involved in the transaction, or, with Headwall or a prior firm, client in **bold** typeface. If no client show, advised competing bidder

Source: Capital IQ, Mergermarket and publicly available financial information.

(1): Average of 2019 – 2021

