

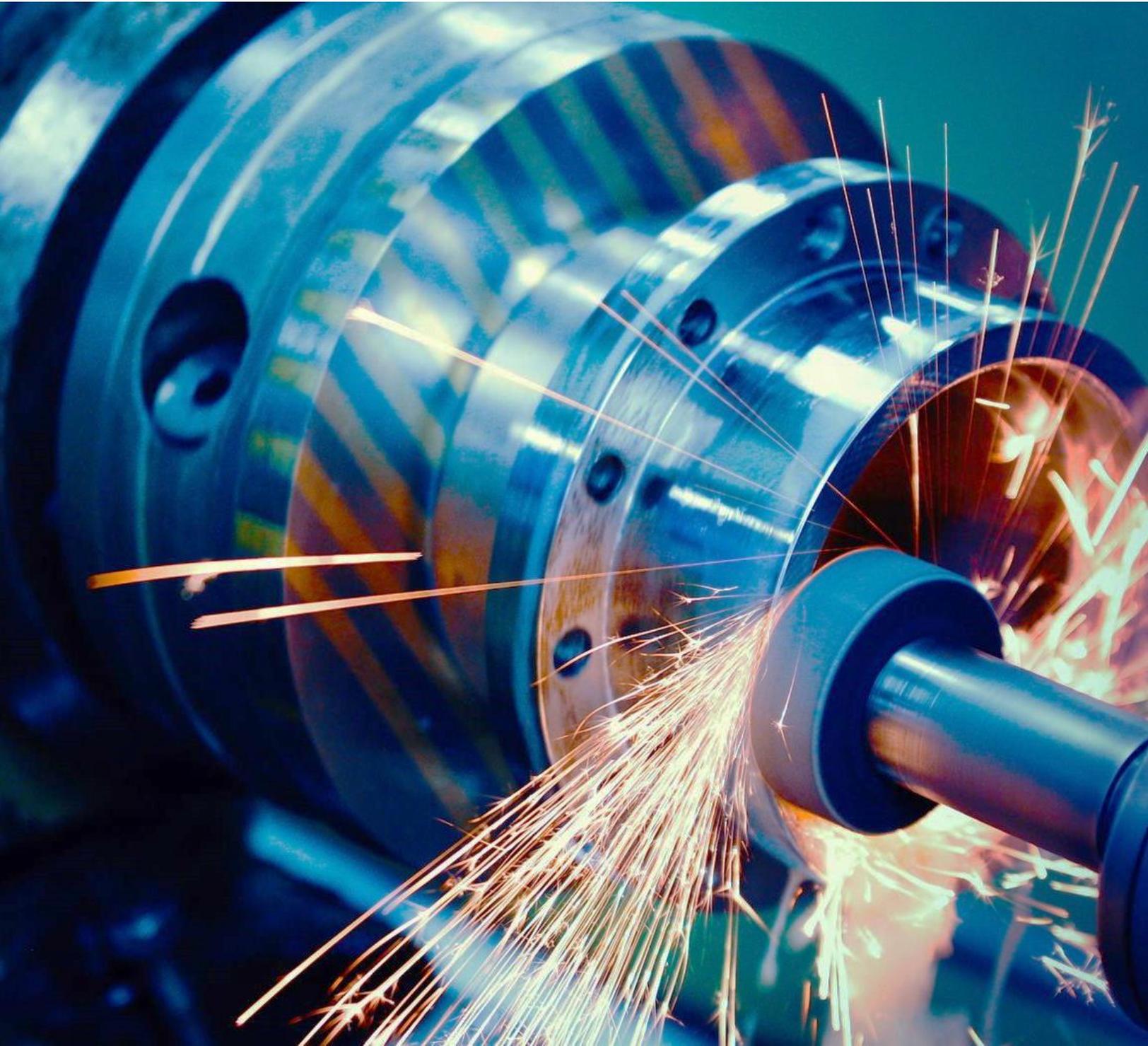


CIBC
Cleary Gull

Industrials

Metal Forming Market Perspectives

December 2020



2020 Has Been a Difficult Year for Metals

The metals market experienced a significant disruption from late January to the end of May as COVID-19 shutdowns were implemented. The uncertainty within manufacturing supply chains resulted in many industries, such as automotive, shutting down production for 30 to 60 days to assess their global supply chains and their demand outlook.

While most of the metals industry faced significant headwinds, certain end markets proved to be “pandemic resistant,” including the defense, automation technology, and building products markets - to name a few.

As the end of 2020 nears, here are a few industry trends to watch:

- Reshoring/nearshoring
- Visibility into financial forecasts
- Pent-up demand tailwinds

We are likely to see improving demand and increased visibility for the metals industry in 2021 as the global economy reopens based on promising vaccines to be distributed in the coming months.

CIBC Cleary Gull has a strong track-record of helping our clients navigate challenging business environments. We are continuing to monitor the current market situation and maintain relationships with resources throughout the capital markets to best serve our clients during this time. We offer a wide range of services including transaction advisory, capital placement, and special situations. We look forward to sharing our expertise and guiding you through the challenges and opportunities unique to your organization.

Sincerely,

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We have a wide range of experience and expertise in the metals industry including primary metal producers, contract manufacturers and branded, highly-engineered products. This breadth of experience enables us to convey strategic value throughout the global supply chain.



- Foundry and Forging
- Precision Machining
- Metal Stamping
- Metal Fabrication and Processing

Government stimulus lifeline

✓ The Payroll Protection Program (“PPP”) partially offset the negative ramifications of facility shutdowns and diminished order volume. PPP served as a critical lifeline for the management teams at small- to mid-size companies who needed time to execute on strategic initiatives, retain skilled employees, and initiate operational improvements to strategically position their businesses for 2021 and beyond.

Supply chain disruptions

✓ Prior to the pandemic, many companies were reassessing their supply chain for critical components. The combination of the pandemic, tariffs, and trade wars created an unprecedented level of uncertainty and unexpected shipping delays. While price is still king, reshoring and nearshoring trends are accelerating due to the desire for shorter lead times and sourcing flexibility. This should favor North American manufacturing long-term.

Forecast uncertainty persists

✓ As of November 2020, most management teams and business owners are prioritizing liquidity before growth because of the persistent lack of order visibility from customers. However, with a vaccine for COVID-19 on the horizon, there is optimism that stability and growth will return in mid-2021.

Capital expenditure budgets have temporarily stalled

✓ The lack of customer orders and the limited 2021 visibility have led to a significant pullback in non-emergency capital expenditures. Nonetheless, the combination of pent-up demand for capital investment and the low cost of capital should begin to translate to an uptick during the second half of 2021.

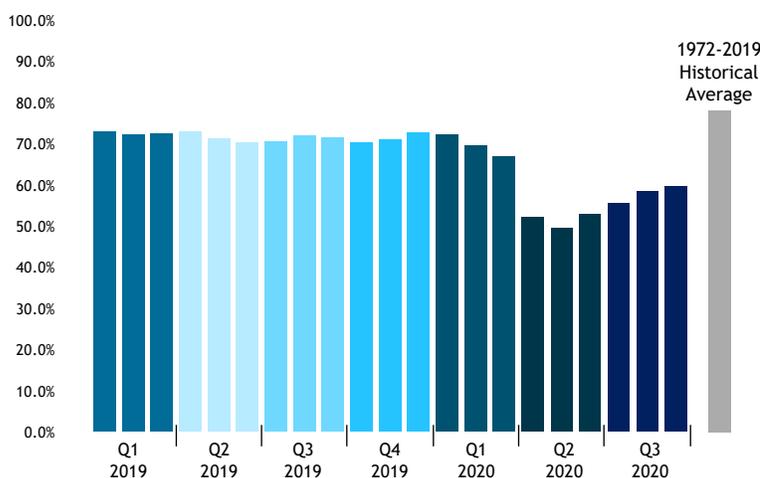
Industrial technology and automation accelerating

✓ Forward-thinking management teams have embraced the slow production period to pull forward modest investments in technology and automation that will improve efficiencies, provide predictive KPIs for management, and improve profits. Management teams that capitalized on the crisis to invest in change should prove to be long-term winners.

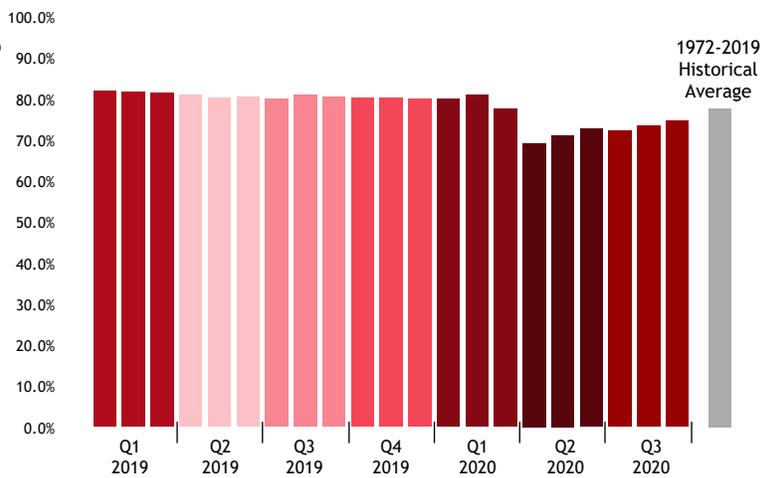
M&A volume down in 2020 but expected to rebound

✓ Decreased M&A volume was driven by a combination of lower Q2 2020 performance and the inability to produce a credible forecast. However, the optimism surrounding a vaccine should be a catalyst for sellers to “dust off” their exit strategies and prepare for an M&A rebound because of strong year-over-year quarterly comps in Q2 and Q3 2021.

Primary Metal Capacity Utilization



Metal Fabrication Capacity Utilization



Industry Group	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	(p)	1972-2019 Historical Average	Q3 Delta to Historical Average
Primary Metals	72.6%	71.5%	71.2%	71.3%	69.8%	51.6%	57.8%		77.9%	(25.8%)
Fabricated Metal Products	81.8%	80.8%	80.6%	80.4%	80.0%	71.1%	73.6%		77.7%	(5.3%)
Machinery	78.8%	77.1%	76.7%	77.0%	75.2%	63.0%	70.1%		77.5%	(9.5%)
Motor Vehicles and Parts	76.6%	76.8%	77.2%	74.0%	69.8%	33.5%	77.0%		75.2%	2.4%
Aerospace and Misc. Transport	77.1%	74.9%	75.2%	75.9%	66.8%	52.8%	61.9%		74.3%	(16.7%)

Source: Federal Reserve Economic Data

High Low

CIBC Cleary Gull Observations

1

Metals industry was already slowing prior to Q2 2020

Prior to the pandemic, all metals markets, except for automotive, were slowing in 2019 and early 2020, as the market was in year ten of what is traditionally a six-to-seven-year economic expansion.

2

Motor vehicles and parts snapped back the fastest

Capacity utilization within the automotive sector saw the largest deterioration in Q2 2020 when the automakers halted production for two months. However, the automotive sector was also the fastest to rebound as consumers purchased parts to repair or restore cars or purchased cars to avoid public transportation.

3

Metals industry capacity utilization remains below 50-year average

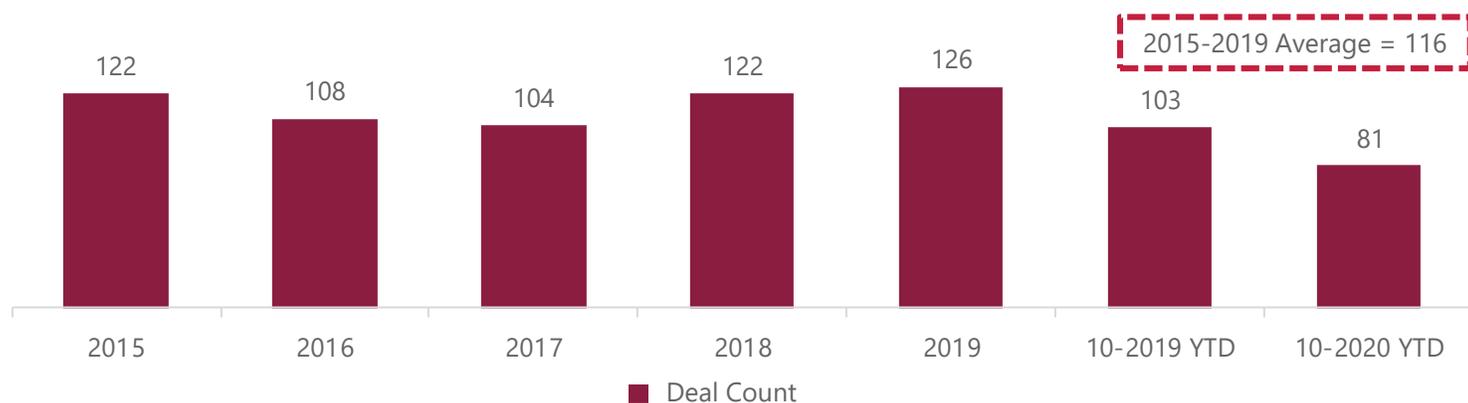
Q3 2020 capacity utilization remains below historical averages, with primary metals and aerospace and miscellaneous vehicles off 25.8% and 16.7%, respectively. Order volume remains inconsistent beyond defense, healthcare and industrial technology, so it is hard to predict when capacity utilization will be back to normal.

4

Market expansion should return in 2021

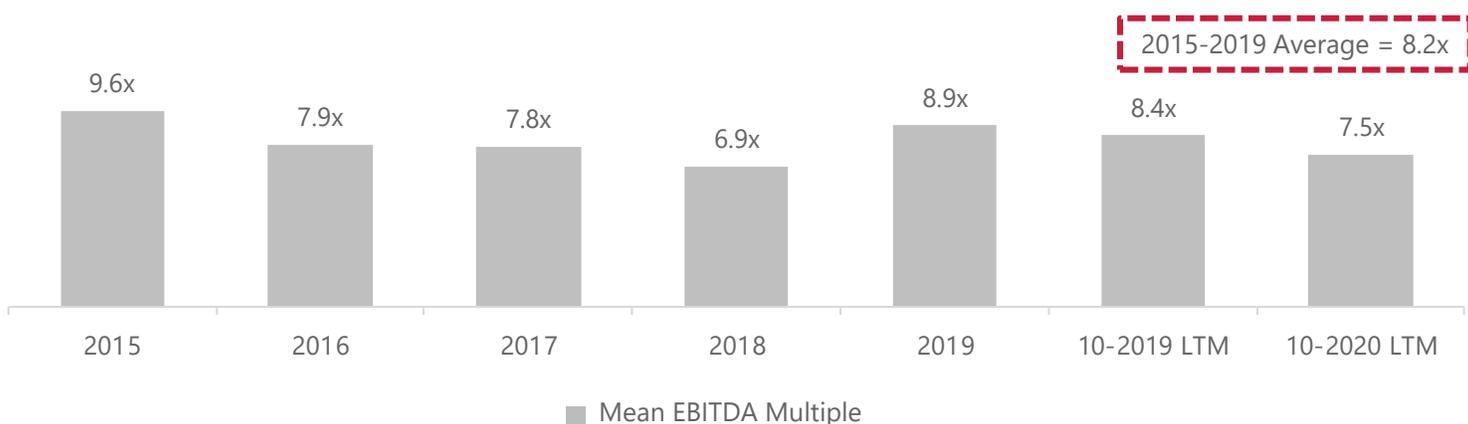
Pent-up demand should drive a fast and meaningful recovery in the metals market broadly, like what the motor vehicles and parts market experienced from Q2 to Q3 2020 (as show above). A notable exception is the commercial aerospace market whose resurgence will be tied to the willingness of consumers to fly.

North American Metal Forming M&A Activity



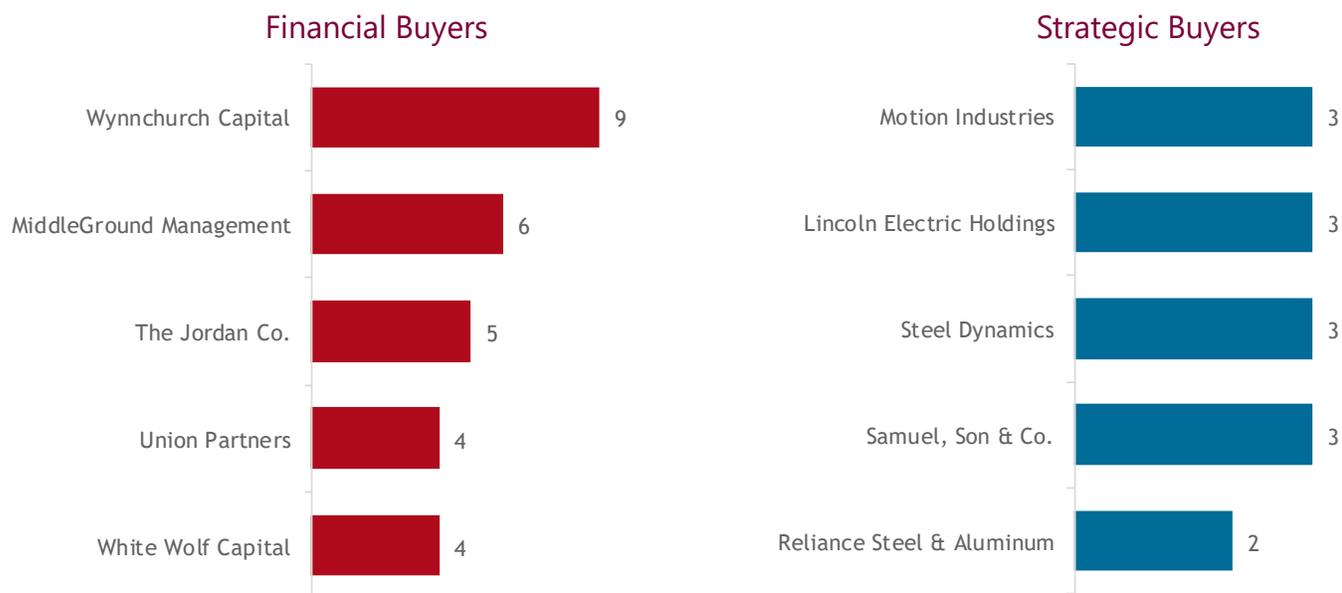
Source: Capital IQ

North American Metal Forming EV/EBITDA Multiples



Source: Capital IQ,

Most Active Metal Forming Buyers – 2018 through YTD 2020



Source: Capital IQ

CIBC is a leading advisor to metal forming companies for M&A and capital raising transactions throughout North America

<p>Project Investment</p>	 <p>has been acquired by</p> 	 <p>has acquired</p> <p>Mercer Forge</p> <p>an operation of</p> 	 <p>has been acquired by</p>  
 <p>has been acquired by</p>  <p>and</p> 	 <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>and</p>  <p>have acquired</p> 	 <p>has been acquired by</p> <p>J.H. Whitney & Co.</p>  <p>Management</p>
 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>and Management</p>	 <p>a portfolio company of</p>  <p>has been acquired by</p>  <p>a portfolio company of</p> 	 <p>a portfolio company of</p>  <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>a portfolio company of</p>  <p>has been acquired by</p>  	 <p>a portfolio company of</p>  <p>has been acquired by an affiliate of</p> 	 <p>a portfolio company of</p>  <p>has been acquired by</p> 	 <p>owners and management have partnered with</p> 
 <p>a portfolio company of</p> <p>MACC PEI Liquidating Trust NDSBIC, LP and</p>  <p>has been acquired by</p> 	 <p>has been acquired by</p> <p>CORNERSTONE INDUSTRIAL GROUP, LLC</p> <p>in partnership with management</p>	 <p>a portfolio company of</p>  <p>has been acquired by</p> <p>PRINCEMINERALS</p> <p>a portfolio company of</p> 	 <p>has been acquired by</p> 
 <p>a portfolio company of PNC Venture Corp.</p> <p>has been acquired by</p>  <p>in partnership with management</p>	 <p>a portfolio company of Cedar Creek Partners LLC</p> <p>has been acquired by</p> 	 <p>has been acquired by</p> <p>Management, a Private Investment Group and</p> 	 <p>has secured</p> <p>\$125,000,000 Debt Financing</p>

CIBC Cleary Gull Overview

- ✓ Nationally recognized U.S. middle market investment banking firm with global reach.
- ✓ Advisor on M&A transactions and capital placements up to \$500 million.
- ✓ Focused on private companies owned by families, entrepreneurs, business partners, and private equity funds.
- ✓ Experienced and talented team has completed hundreds of transactions representing billions of transaction value.
- ✓ Relentless approach to helping make clients' ambitions a reality.
- ✓ Built on trust and delivering great outcomes.

CIBC is a 150 year-old financial institution that provides U.S. clients with tailored commercial banking, wealth management, personal and small business financial solutions, as well as cross-border services to banking clients with North American operations.

CIBC Cleary Gull by the Numbers

<p>177 Completed Transactions in Last 5 Years⁽¹⁾</p>	<p>26 Total Professionals</p>	<p>12 Senior Bankers</p>
<p>5 Focus Industry Verticals</p>	<p>2 Offices – Milwaukee and Chicago</p>	

Note: (1) Includes CIBC Cleary Gull and CIBC Capital Markets transactions below \$500 MM of enterprise value

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