1Q24 Results Presentation

May 8, 2024



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or otherwise.



1Q24 FINANCIAL PERFORMANCE

Strategic improvements in pricing and utilization drove margin expansion and free cash flow generation

Sustained margin expansion driven by strategic execution on MBX sourcing optimization and labor efficiency initiatives, coupled with commercial pricing implementation

- Adjusted EBITDA margins improved by to 11.5% during Q1 due to organic sales growth, pricing improvement and lean process efficiencies
- Continued to deliver strong free cash flow generation because of MBX net working capital initiatives

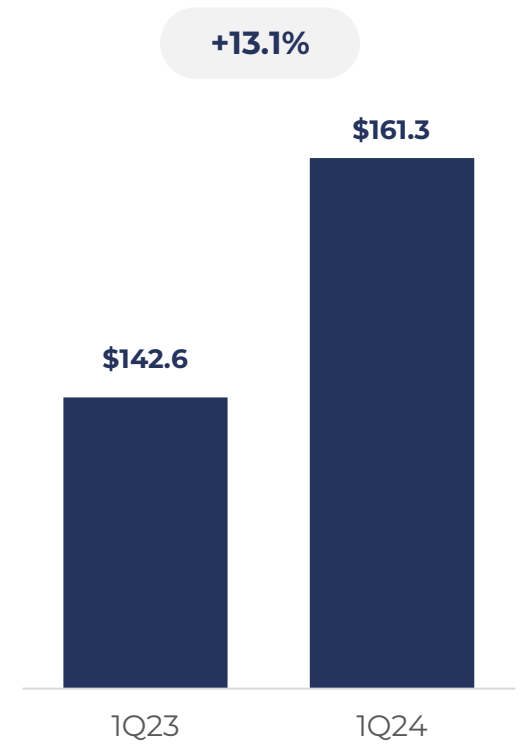
1Q24 Performance Highlights

- Net sales +13.1% y/y including organic growth of 3.3% y/y, due to the acquisition of MSA and supported by stable demand and new project volumes
- Adjusted EBITDA increased 33.8% y/y to $18.5 million primarily due to the impact of the MSA acquisition, MEC Business Excellence (MBX) initiatives and commercial pricing initiatives
- Adjusted EBITDA margins of 11.5%, an increase of 180 basis points y/y driven by successful strategic execution on MBX and commercial pricing initiatives
- Adjusted EPS of $0.22, an increase of 29.4% from $0.17 in Q1 2023
- Delivered seasonally strong quarterly Free Cash Flow of $7.9 million and repaid $7.9 million of debt during the quarter resulting in net leverage at 3/31/24 of slightly below 2.0x

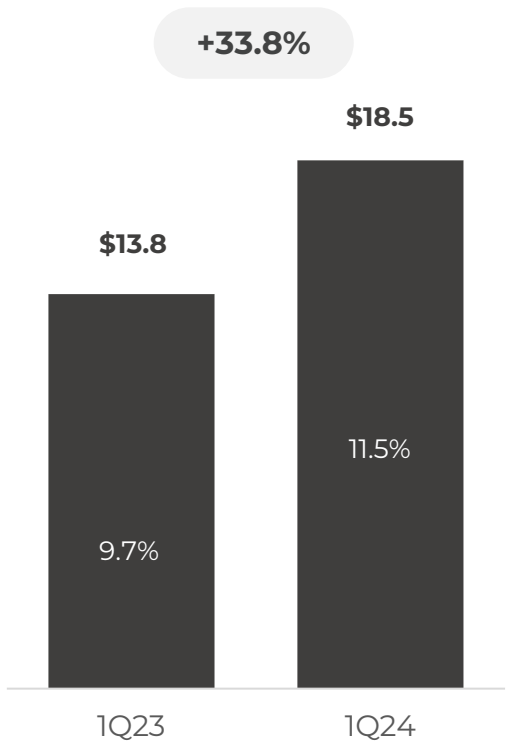
See the appendix for a reconciliation of Adjusted EBITDA and Free Cash Flow to their most directly comparable GAAP financial measure.

FIRST QUARTER FINANCIAL PERFORMANCE

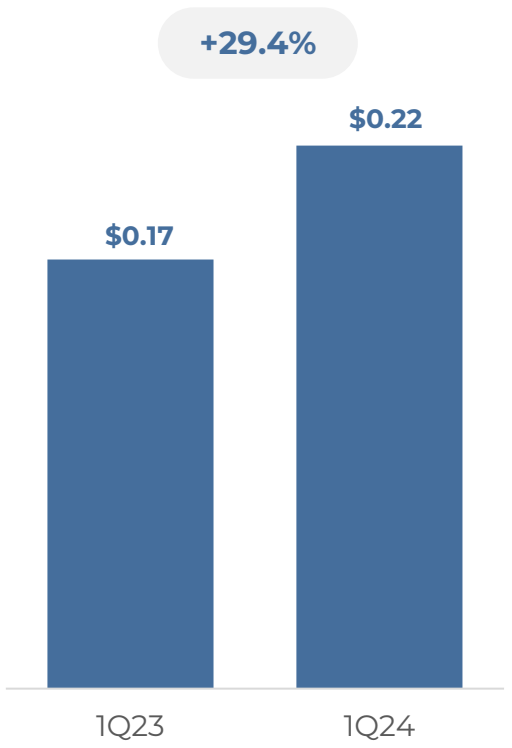
Net Sales
($MM)



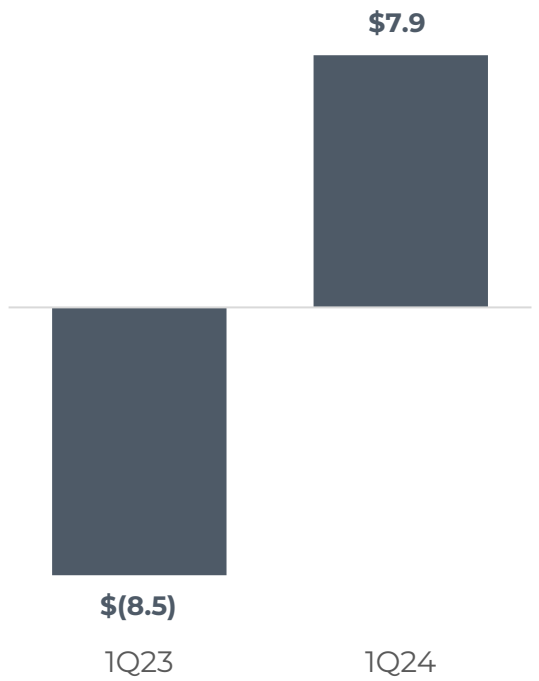
Adj. EBITDA & Margin
($MM & % of Net Sales)



Adjusted Diluted EPS
($/share)



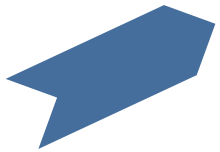
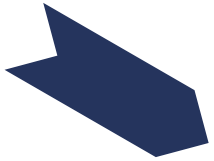
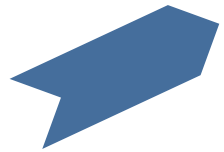
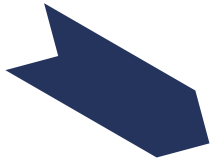
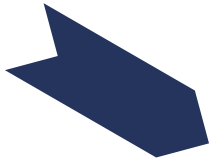
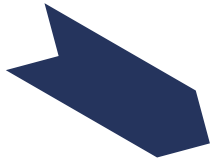
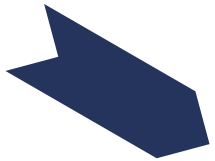
Free Cash Flow
($MM)



See the appendix for reconciliations of Adjusted EBITDA, Adjusted Diluted EPS and Free Cash Flow to their most directly comparable GAAP financial measures.

2024 END-MARKET OUTLOOK

End-market demand is softening but market-share gains will offset in 2024

	Commercial Vehicle	Construction & Access	Powersports	Agriculture	Military	Other
MEC						
Macro						

Assumptions:

- Demand softening in 2024 as the industry navigates an emissions regulation change along with general slowing in economic activity offset by Company new project launches
- 2024 ACT projections reflect 10.4% y-o-y decline to 305K units

Assumptions:

- Soft residential construction demand
- Demand remains steady across non-residential and public infrastructure

Assumptions:

- Growth deceleration as dealers focus on normalizing inventories
- Recent share gains, including new customer programs on high-end models, outpacing softness occurring due to discretionary nature of consumer spending

Assumptions:

- Softening end user demand to overall ag industry and excess levels of dealer inventory within large-ag offset by Company market share gains

Assumptions:

- Solid backlog for U.S. government contracts and strong volumes based on new program introductions
- Volume down due to expected roll-off of certain aftermarket programs at the end of 2023

Assumptions:

- Incremental MSA acquisition revenues
- New business development focus in energy transition related technologies

1Q NET SALES & ADJUSTED EBITDA PERFORMANCE HIGHLIGHTS

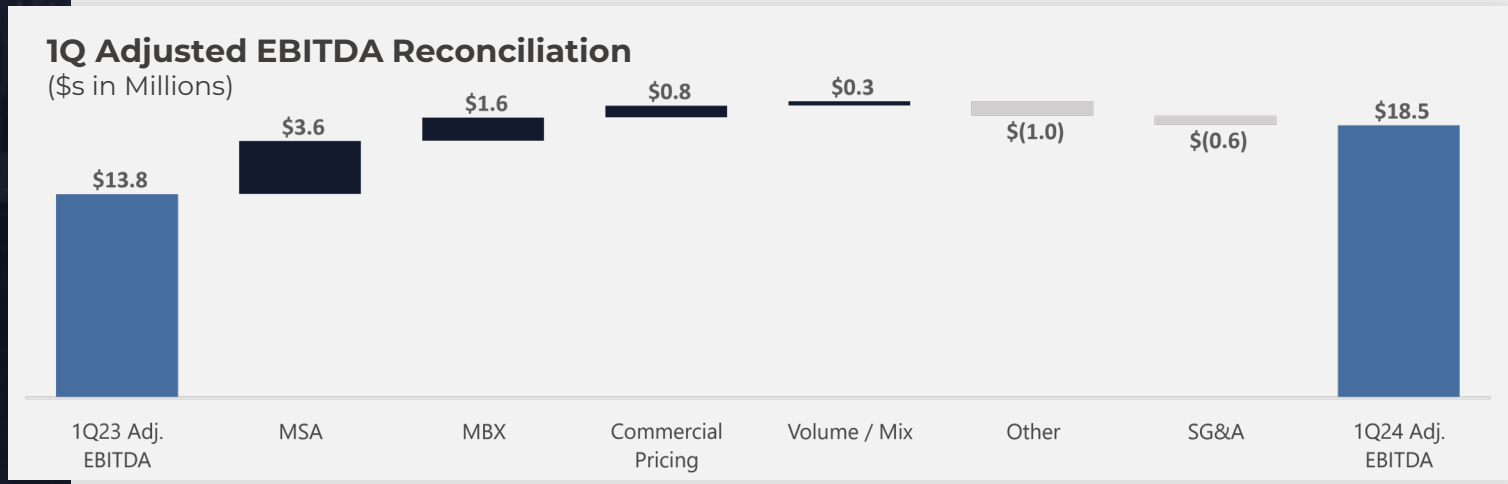
Improvements in labor utilization, sourcing and strategic pricing drove margin expansion on growing organic volumes

Stable Organic Volume Trends
Net sales grew 3.3% y/y during 1Q, driven by new project volumes in Powersports, and infrastructure related demand in the Construction & Access end-market. Commercial Vehicle net sales softened slightly but outperformed the underlying end-market due to new project volumes ramping up. Net sales to the military end-market was expectedly down y/y due to aftermarket projects that ended in 4Q23.

MBX Drives Ratable Margin Improvement
The ongoing enterprise-wide focus on lean daily management and continuous improvement has built momentum and resulted in 100bps of margin improvement y/y. The improvement was most particularly the result of sourcing optimization and improved labor efficiencies.

Value-based pricing beginning to take effect
The implementation of a uniform and programmatic value-based pricing model has been ongoing since the beginning of last year. During 1Q24, the improved pricing structure drove revenue growth and over 40bps of margin expansion, net of inflation, as new projects were launched under the value-based model.





See the appendix for a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure.

CAPITAL ALLOCATION PRIORITIES

Capital allocation priorities focused on maximizing cash flow and return on invested capital

Balanced approach to capital allocation

Consistent Debt Paydown

- Net leverage of slightly below 2.0x as of March 31, 2024
- Targeting leverage of 1.5x – 2.0x by year-end 2024

Return-of-capital program

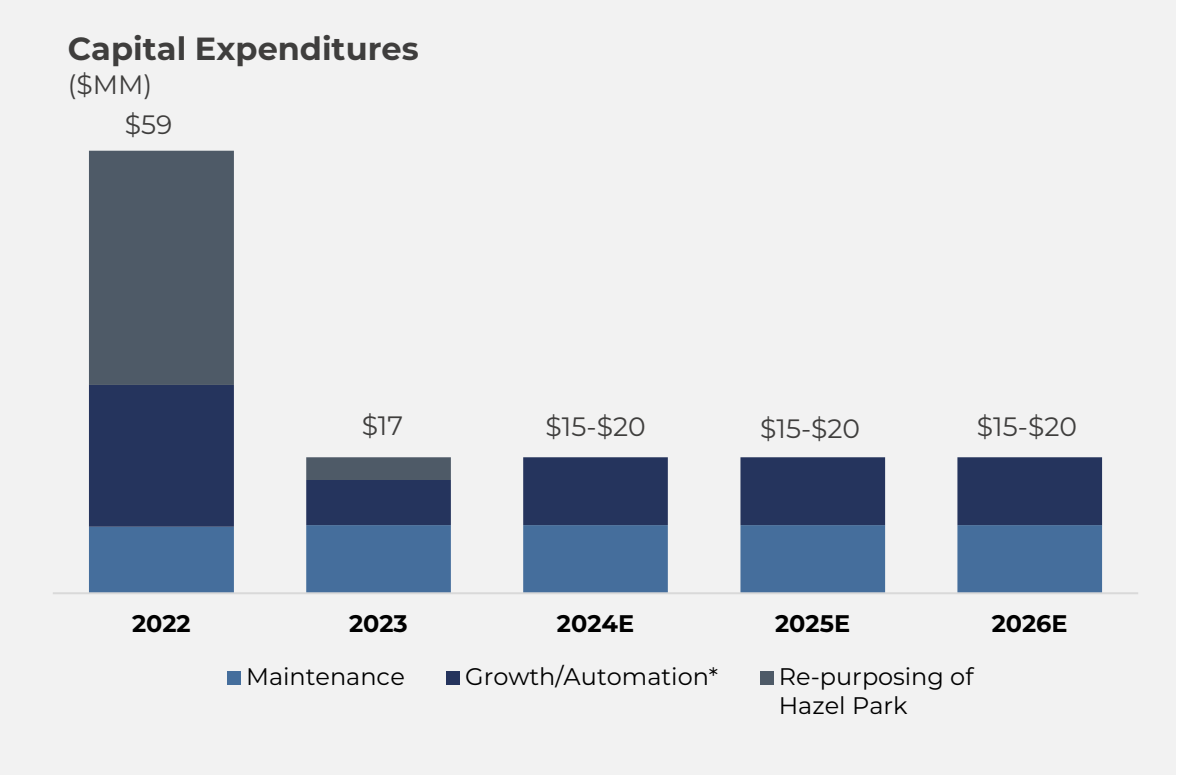
- Opportunistic share repurchase program, with $25M remaining under current authorization
- Repurchased $2.0M of Company stock during 2023

Bolt-on acquisitions in complementary vertical markets

Targeting immediately accretive opportunities in complementary markets such as aluminum, plastics and composites fabrications capabilities, and opportunistic additions to entrench our position in steel fabrication

Sustaining growth investments

Prioritizing $7-$10M of investment in numerous high-return, capital-light growth/automation advancements with payback periods of less than 18 months



Targeted Growth/Automation Investment

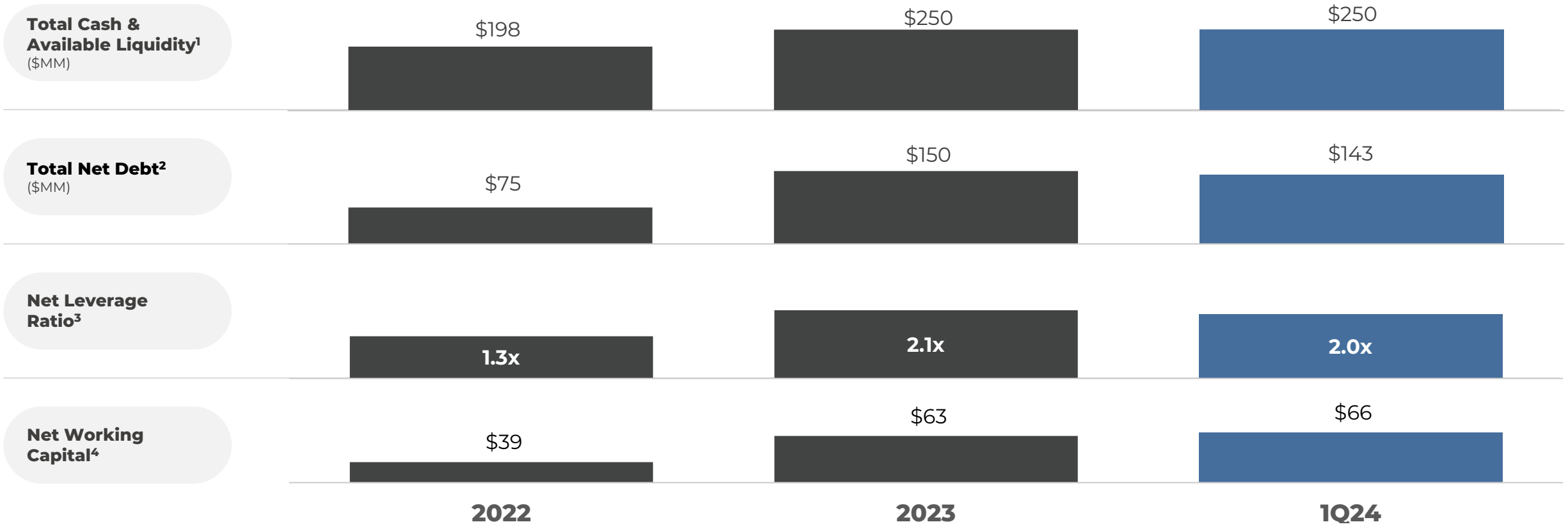
($MM)

FY22	FY23	FY24E
$19	$6	$7 - $10

* Includes Capital Expenditures associated with MSA

DISCIPLINED CAPITAL MANAGEMENT

Flexible balance sheet with ample liquidity to support long term growth



1) Assumes continued compliance with covenants associated with the current Credit Agreement. This amount would be reduced by the Company's outstanding borrowings under the Credit Agreement and is exclusive of the $100M accordion feature.
2) Comprised of the Company's revolver, finance lease liabilities, and equipment financing agreements minus cash and cash equivalents
3) Net Leverage Ratio equals Net Debt divided by Adjusted EBITDA. See the appendix for a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure.
4) The Company calculates Net Working Capital as current assets minus current liabilities

2024 FINANCIAL GUIDANCE

As of May 7, 2024

Business Outlook

- End-market demand is expected to soften through the year in many key end-markets
- Continued discipline in executing organic commercial growth initiatives and project launches
- Continue to maintain balance sheet optionality to support growth
- Leveraging newly acquired aluminum extrusion capabilities to drive multi-year growth through revenue synergies
- Driving price discipline and operational enhancements to support improved margin realization

Financial Assumptions

- Organic net sales growth of 1.5% to 2.5% due to new project launches, including the ramp-up of Hazel Park, offset by slowing macro-demand and project end-of-life
- MSA pro-rata contribution of $20 to $30 million in net sales and $4 to $6 million in Adj. EBITDA
- Capital expenditures of $15 to $20 million
- Strategic value-based pricing initiatives totaling $1 to $2 million, net of inflationary pressures in Adj. EBITDA
- MBX/labor productivity initiatives totaling $2 to $4 million in Adj. EBITDA

($MM)	2023A	2024E	YoY Change (%)
Revenue	$588.4	$620 – $640	5% – 9%
Adjusted EBITDA	$66.1	$72 – $76	9% – 15%
Free cash flow	$23.8	$35 – $45	47% – 89%

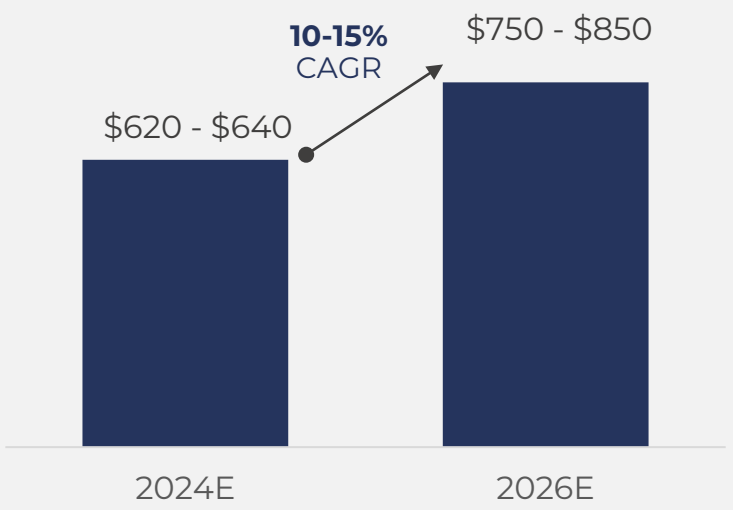
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Value Creation Roadmap [1]

MBX Framework expected to drive substantial financial value and shareholder returns

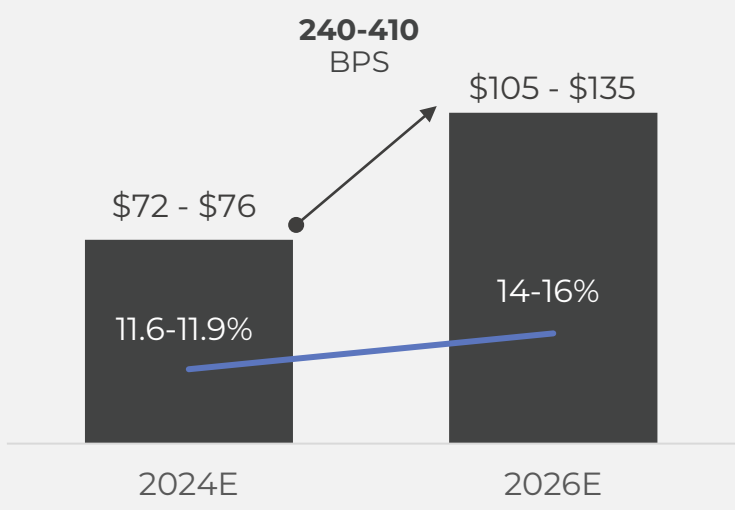
Sales Performance

$s in Millions



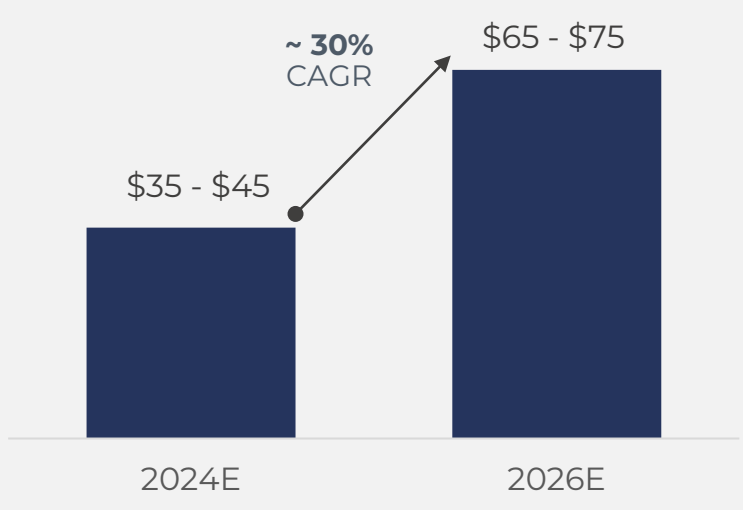
Adjusted EBITDA Performance

$s in Millions and as a % of Sales



Free Cash Flow Performance

$s in Millions



MBX value creation framework | **Organic revenue acceleration** | **Adj. EBITDA margin expansion** | **Cash flow & capital deployment strategy**

1. Inclusive of Mid-States Aluminum

Organic Growth Acceleration [1]

2-Year Organic Revenue CAGR of 10% - 15%, before incremental M&A

Two Year Sales Reconciliation [1]

$s in Millions



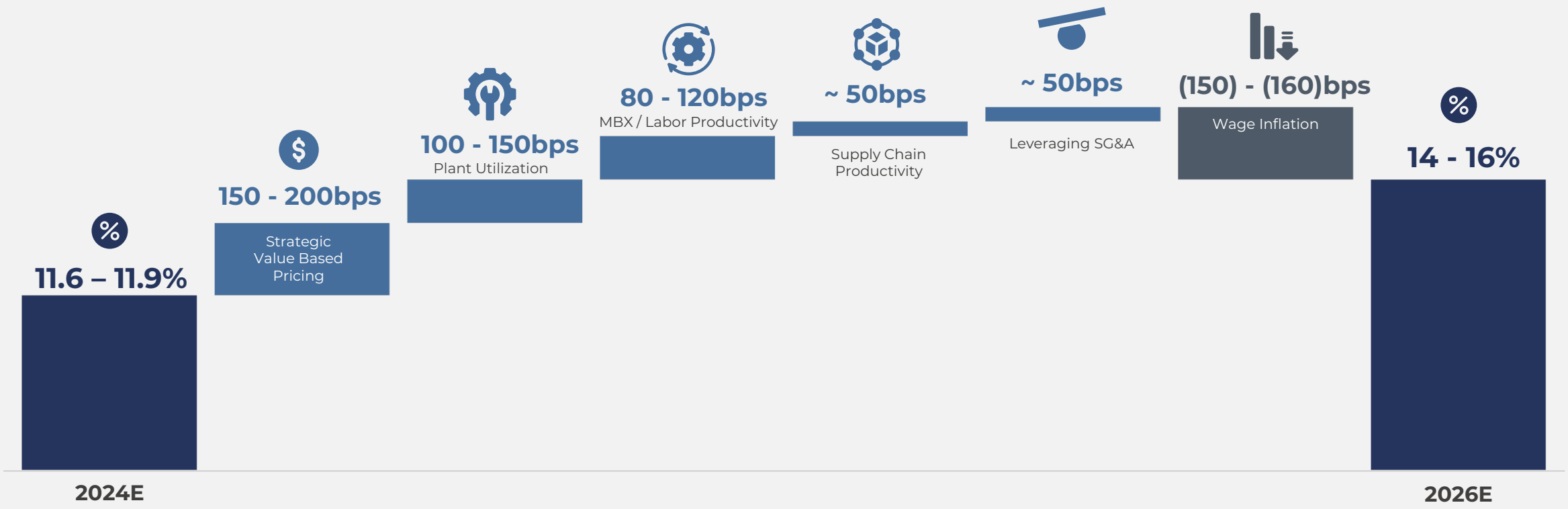
(1) Inclusive of Mid-States Aluminum

Accelerated Margin Expansion

Targeting 2-Year Adjusted EBITDA margin expansion of 250bps – 400bps

2-Year Adjusted EBITDA Margin Reconciliation

Adjusted EBITDA as a % of Sales



Note: Assumes stable material pricing (CRU of $700-$900/ton)

INVESTMENT THESIS

Strategic evolution story supported by attractive re-shoring and outsourcing mega trends



Business Transformation to Drive Margin Expansion & Profitable Growth

Strategic Business Transformation

- Strong demand fundamentals across our end markets, supporting profitable growth
- Value creation platform expected to drive Adjusted EBITDA margins to 14% - 16% and organic revenue growth of 8% - 12% per year over the next 3-years
- Evaluating opportunistic, bolt-on acquisitions in complementary adjacent markets, in support of energy transition and renewables demand
- Attractive free cash flow profile to support de-leveraging and provide capacity for self-funded growth

Favorable Macro-Secular Trends

- Our robust domestic manufacturing footprint positions MEC to capitalize on multi-year reshoring and outsourcing trends by OEMs
- Our skilled workforce provides a one stop on-demand solution for OEMs
- Well positioned to capitalize on incremental energy transition and renewables fabrication solutions

APPENDIX



HISTORICAL MATERIAL PRICE PASS-THROUGH

(Y-o-Y Change in $MMs)	Material Price Pass-Throughs				
	1Q	2Q	3Q	4Q	Full Year
2022	$ 14.6	$ 10.4	$ 2.5	$ 0.5	**$ 28.0**
2023	$ (9.9)	$ (8.3)	$ (0.5)	$ (0.4)	**$ (19.1)**
2024	$ -				**$ -**

Non-GAAP Reconciliation of Adjusted EBITDA

	Q1	
($MM)	**2024**	**2023**
Net income and comprehensive income	$ 3.2	$ 2.6
Interest expense	3.4	1.7
Provision for income taxes	1.0	0.4
Depreciation and amortization	9.3	7.9
EBITDA	**$ 16.9**	**$ 12.6**
Stock-based compensation expense	1.2	1.0
Legal costs due to former fitness customer	0.5	0.2
Adjusted EBITDA	**$ 18.5**	**$ 13.8**
Net sales	$ 161.3	$ 142.6
EBITDA margin	10.5%	8.8%
Adjusted EBITDA margin	11.5%	9.7%

Non-GAAP Reconciliation of Adjusted Net Income & Diluted EPS

($MM, except share amounts and per share values)	Q1 2024	Q1 2023
Net income and comprehensive income	$ 3.2	$ 2.6
Stock-based compensation expense	1.2	1.0
Legal costs due to former fitness customer	0.5	0.2
Tax affect of above the adjustments	(0.3)	(0.3)
Adjusted net income and comprehensive income	**$ 4.6**	**$ 3.5**
Adjusted Diluted EPS	**$ 0.22**	**$ 0.17**
Weighted average diluted shares outstanding	**20,700,046**	**20,749,948**

Non-GAAP Reconciliation of Free Cash Flow

($MM)	Q1 2024	Q1 2023
Net cash provided by operating activities	$ 10.6	$ (6.0)
Purchase of property, plant and equipment	(2.8)	(2.4)
Free cash flow	**$ 7.9**	**$ (8.5)**