





EXPERIENCE YOU CAN TRUST®

3Q 2022 Earnings Call

November 2, 2022

mecinc.com

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Forward-Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "predict," "potential," "targeting," "intend," "could," "might," "should," "believe" and similar expressions or their negative. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on management's belief, based on currently available information, as to the outcome and timing of future events. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed in such forward-looking statements. Forward-looking statements should not be unduly relied upon.

Important factors that could cause actual results or events to differ materially from those expressed in forward-looking statements include, but are not limited to, those described in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission on March 2, 2022, as such may be amended or supplemented in Part II, Item 1A of our subsequently filed Quarterly Reports on Form 10-Q (including our Quarterly Report filed with the Securities and Exchange Commission on May 4, 2022), and the following: the negative impacts COVID-19 pandemic has had and will continue to have on our business, financial condition, cash flows, results of operations and supply chain, including the supply chain issues encountered by our original equipment manufacturer customers, the current inflationary pressures on wages, benefits, components, and manufacturing supplies and future uncertain impacts; risks relating to developments in the industries in which our customers operate; risks related to scheduling production accurately and maximizing efficiency; failure to compete successfully in our markets; our ability to realize net sales represented by our awarded business; our ability to maintain our manufacturing, engineering and technological expertise; the loss of any of our large customers or the loss of their respective market shares; risks related to entering new markets; our ability to recruit and retain our key executive officers, managers and trade-skilled personnel; volatility in the prices or availability of raw materials critical to our business; manufacturing risks, including delays and technical problems, issues with third-party suppliers, environmental risks and applicable statutory and regulatory requirements; our ability to successfully identify or integrate acquisitions; our ability to develop new and innovative processes and gain customer acceptance of such processes; risks related to our information technology systems and infrastructure; political and economic developments, including foreign trade relations and associated tariffs; results of legal disputes, induding product liability, intellectual property infringement and other claims; risks associated with our capital-intensive industry; risks related to our treatment as an S Corporation prior to the consummation of our initial public offering of common stock (IPO); and risks related to our employee stock ownership plan's treatment as a tax-qualified retirement plan. These factors are not necessarily all of the important factors that could cause actual results or events differ materially from those expressed in forward-looking statements. Other unknown or unpredictable factors could also cause actual results or events to differ materially from those expressed in the forward-looking statements. All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements after the date on which any such statement is made, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures designed to complement the financial information presented in accordance with generally accepted accounting principles in the United States of America because management believes such measures are useful to investors. Investors should not consider non-GAAP financial measures in isolation or as substitutes for financial information presented in compliance with GAAP. These non-GAAP financial measures are not based on any standardized methodologies prescribed by GAAP and are not necessarily comparable to similarly titled measures presented by other companies. Non-GAAP measures that may be contained in this presentation include EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin and free cash flow. EBITDA represents net income before interest expense, provision for income taxes, depreciation, and amortization. EBITDA Margin represents EBITDA as a percentage of net sales for each period. Adjusted EBITDA represents EBITDA before stock-based compensation expense, Hazel Park transition costs due to the fitness customer, impairment charges on long-lived assets and gain on contracts specifically purchased to meet obligations under the agreement with our former fitness customer, and CEO transition costs. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of net sales for each period.

These metrics are supplemental measures of our operating performance that are neither required by, nor presented in accordance with, GAAP. These measures should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. We present Adjusted EBITDA and Adjusted EBITDA Margin as management uses these measures as key performance indicators, and we believe they are measures frequently used by securities analysts, investors and other parties to evaluate companies in our industry. These measures have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP.

Executive Summary

- **Strong Q3 2022 Financial Results**
  - Net sales growth 25%
  - Net income up 22x from PY
  - Basic EPS increased 32x
  - Adjusted EBITDA improved 61%

$'s in millions except for EPS data	Q3 2022	Q3 2021
Net Sales	$136.3	$109.0
Net Income	$6.6	$0.3
Basic EPS	$0.32	$0.01
Adjusted EBITDA	$16.1	$10.0

- **Commenced production at state-of-the-art facility at Hazel Park, Michigan as planned**
- **Launched MEC Business Excellence (MBX) program to drive operational and commercial excellence**
- **Refining 2022 guidance provided in February**

100-Day CEO Observations and Reflections

OBSERVATIONS

- ❑ Hardworking employees take pride in supporting customers
- ❑ Great culture of safety, quality and delivery
- ❑ Long-standing customer relationships
- ❑ Secular trends in reshoring and outsourcing confirmed by customers
- ❑ Automation investments helping with cost and volume productivity

OPPORTUNITIES

- ❑ Better utilization of plant capacity
- ❑ Significant growth potential over next 5 years
- ❑ Positive pricing potential: value-pricing vs. cost-plus
- ❑ Improve productivity and supply chain
- ❑ Accelerate lean manufacturing practices
- ❑ Energy transition provides further diversification

Favorable secular market trends and lean manufacturing expansion will lead to significant profitable growth

Long-Term Strategic Priorities

Driving Profitable Growth

- Growing share of wallet with current customers
- Diversifying into profitable new markets & applications – EV's, renewables, etc.
- Expanding into Design, Prototyping, and After-Market Services

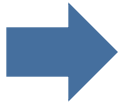
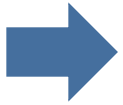
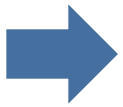
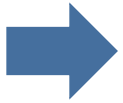
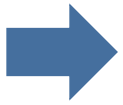
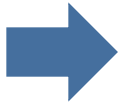
Expanding EBITDA Margins beyond 15%

- Commercial Excellence: Strategic and Value pricing
- Operating Excellence with MBX: Productivity improvements, capacity utilization, inventory mgmt.
- Purchasing & Supply Chain improvements

Optimizing Capital Allocation

- Moderating CapEx spend to approx. $20M - $25M starting in 2023
- Focusing M&A towards adjacent markets
  - Light weight: aluminum, plastics, composites
  - Design and prototyping services

Industry Outlook

Market	2022 Market Outlook	2023 Market Outlook	Commentary
Commercial Vehicles			▪ OEM's forecasting strength through 1H '23 followed by sequential slowdown through 2H '23 going into the '24 emissions change ▪ Current ACT forecast predicts 296K units in '23 down 4.5% from 310K in '22
Power Sports			▪ Steady retail demand, coupled with lower dealer inventories ▪ Dealer restocking to continue into 2023 ▪ Sensitive to discretionary spending & interest rates
Construction & Access Equipment			▪ Residential construction and housing slow down with rise in interest rates ▪ Non-residential, infrastructure and oil & gas projects showing improvement ▪ Low dealer inventories and need to restock fleets
Agriculture			▪ Low global stocks, strong crop prices and low new and used machine inventory will continue to drive volume growth for the foreseeable future
Military			▪ Solid backlog for U.S government contracts ▪ Medium-term growth lead by new program launches

Secular trends of outsourcing and re-shoring to reduce supply chain complexity and lead time

Recent Customer Wins



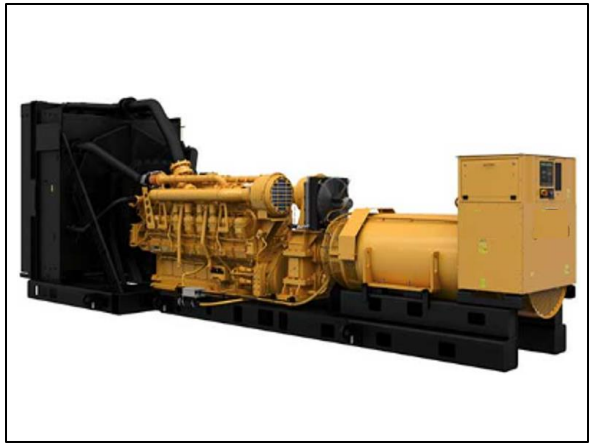
- Secured strategic EV win in Side-by-Side space on battery enclosure
- Engaged with thermal management solutions provider for EV application



- Significant takeover win for high horsepower tractor
- MEC's capacity and resources allow for quick launch and share growth



- Secured reshoring project for a commercial vehicle customer
- Re-tooling in the U.S. to localize production



- Cross-selling into customer's industrial infrastructure products
- Broad expertise allows MEC to have the potential to quickly scale up

Strong business development pipeline driving profitable growth

Introducing MEC Business Excellence

Strategy Execution

- Strategy Deployment Process
- Breakthrough Thinking
- Daily Lean Management (KPI Reviews, VSM, 5S)
- Root Cause Countermeasures

Commercial Excellence

- Value Pricing
- Quote to Order Process
- Product & Market Analytics
- Branding & Communications



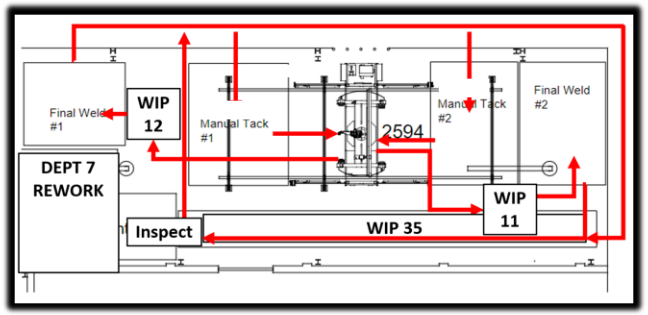
Operating Excellence

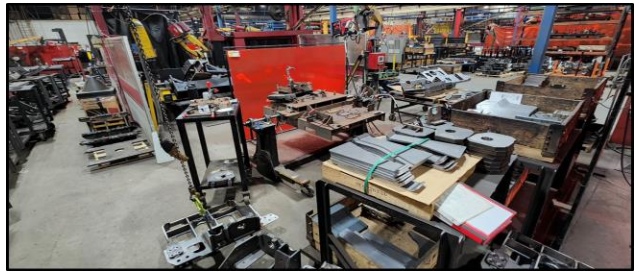
- Lean Value Stream Mapping & Kaizen Culture
- Sales, Inventory & Operations Planning (SIOP)
- Sourcing Optimization

Talent Management

- Talent Attraction and Retention
- Supervisor and Key Resource Development
- Executive Coaching
- Succession Planning

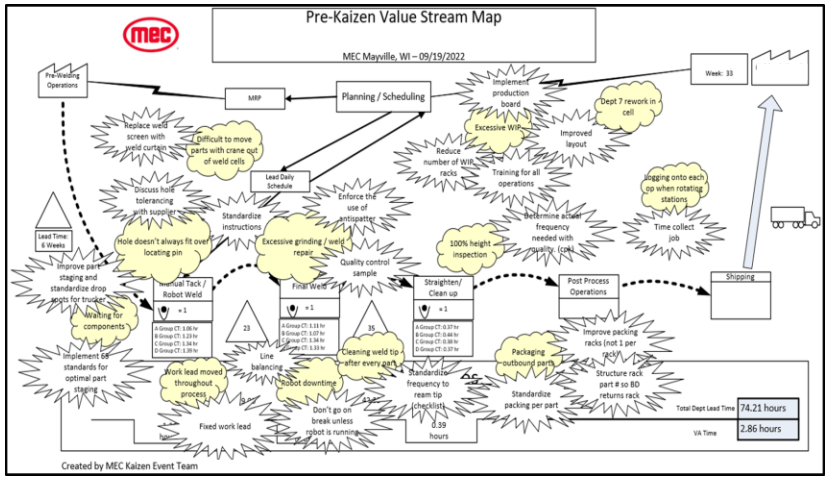
MBX Case Study: Quarterly President's Kaizen



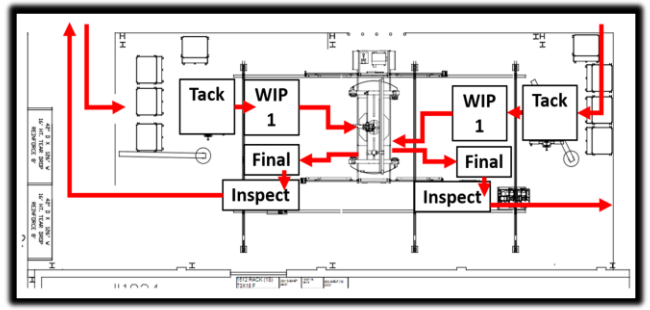


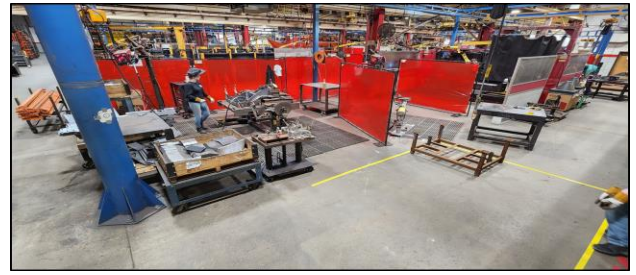
Initial State

- Non-Standard Work
- Excessive Inventory
- Poor Material Flow
- Over Processing
- Ergonomic Concerns



- Developed **Value Stream Map**
- Identified Areas of Waste
- Introduced **Cellular Layout**
- Established **Single Piece Flow**
- Line Balance: Tack-Robot-Finish **Tact Times**
- Performed 6S and Addressed Ergo issues
- Established **Visual Quality** Standards
- Improved Tooling Issues
- Established Production **KPI Board**





Improved State

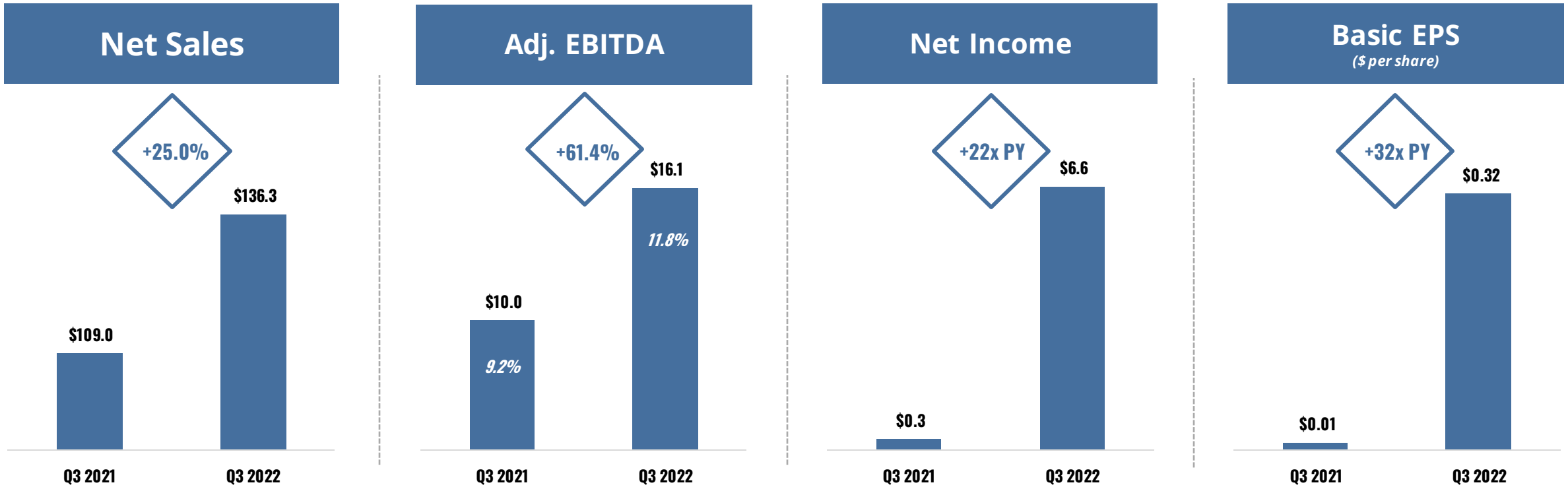
- **Reduced Inventory** - $25K
- Reduced Travel by 68%
- Improved Parts/HR by 56%
- **Reduced Labor Hours** – 8,944
- Improved 6S Score – 42%

Total Savings: **$212,595**

- ❑ **Kicking-off accelerated efforts on Lean implementation**
- ❑ **Significant improvement opportunities exist across manufacturing network**
- ❑ **Focus on productivity, standardization and cost optimization**

Q3 2022 Financial Performance

$'s in millions except for share data



Key Performance Drivers:

- ❑ Improved volumes due to strength in end markets and customer restocking efforts
- ❑ Improved absorption of manufacturing costs
- ❑ Commercial pricing increases implemented in 4Q21
- ❑ Contractual raw material price pass-throughs to customers

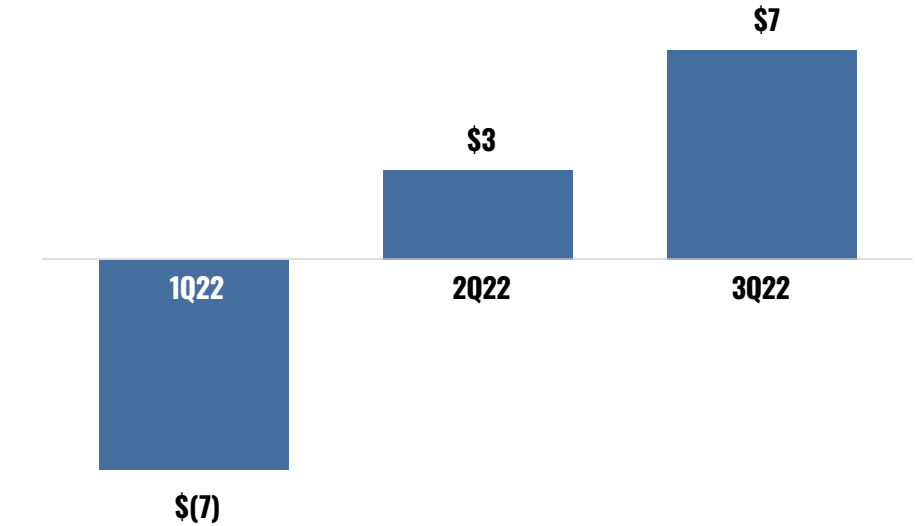
Strong Balance Sheet and Liquidity Position

Capital Structure *($MM)*

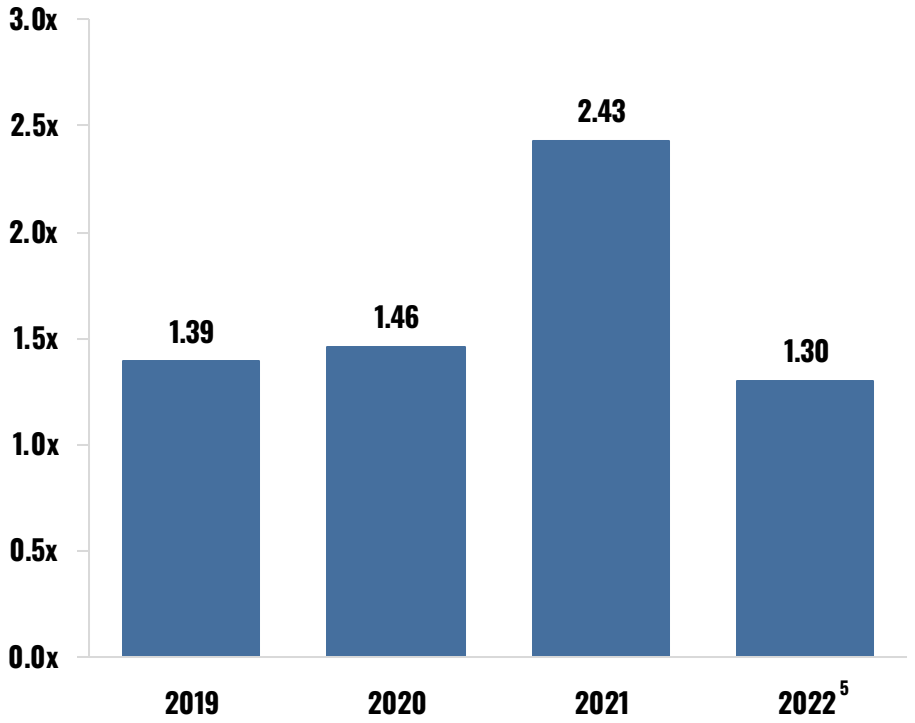
	09/30/2022
Net Debt[1]	$74.1

$300MM of total borrowing capacity including $200MM revolver + $100M accordian[2]

Free Cash Flow[3] *($MM)*



Leverage Ratio[4]



1 Comprised of the Company's revolver, finance lease liabilities, and equipment financing agreements
2 Assumes continued compliance with covenants associated with the current Credit Agreement.
3 Free cash flow equals Adjusted EBITDA minus capital expenditures minus/plus change in working capital
4. Leverage Ratio equals Net Debt divided by Adjusted EBITDA
5 As of September 30, 2022.

Full Year 2022 Guidance

Net Sales

$MM

Narrowed

14% - 19%

Compared to 2021 of $455MM

Adjusted EBITDA

$MM

Narrowed

26% - 41%

Compared to 2021 of $46MM

Guidance

($MM)	Original FY22 Guidance	Updated 2022 Guidance
Sales	$480 - $530	$520 – $540
Adjusted EBITDA	$58 – $70	$58 – $65
Capital Expenditures	$55 – $65	$55 – $65

Updated Guidance Assumptions

- Major end markets continue to forecast near-term positive demand
- Supply chain disruptions continue throughout our customer base in 4Q22, anticipated to ease moving into 2023
- Falling scrap prices and increased legal costs

Compelling Path to Growth and Value Creation

- Recognized market leader, value-added manufacturing partner with **unmatched footprint and scale**
- Differentiated operating model with **advanced capabilities** to serve diverse end markets
- Well positioned to capitalize on **recovering industry dynamics** with long-standing, diversified, blue-chip customer base
- Continuous improvement focus driving **commercial and operational excellence and cost reductions** through newly launched **MBX** program
- Strong **financial position and cash flow generation** to pursue **opportunities for growth** through organic investments and M&A

Clear pathway to drive value through continued profitable growth and margin expansion



Appendix

Supplemental Materials

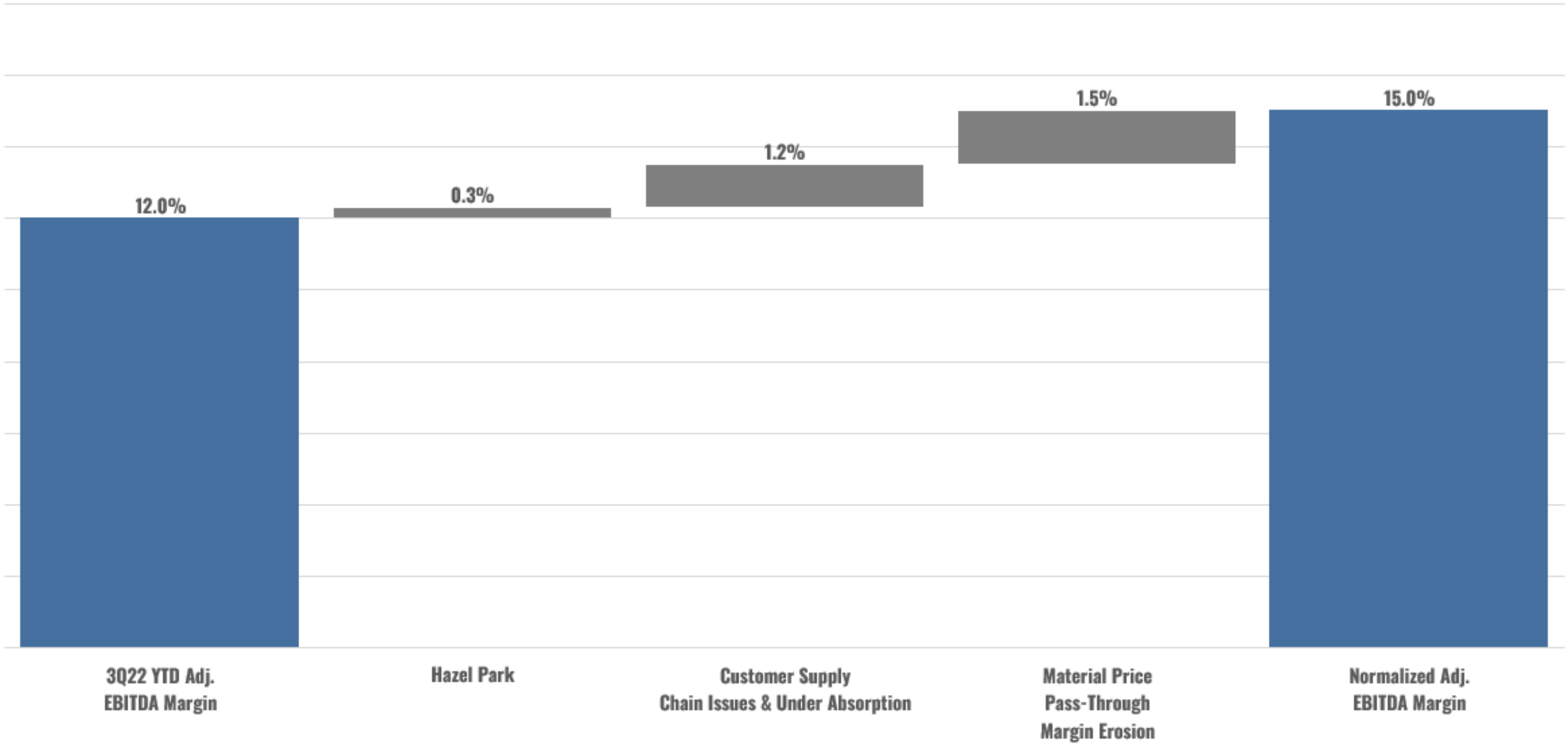
P&L Performance

($MM except for share data)	Q3 2022	Q3 2021	Year-to-Date 2022	Year-to-Date 2021
Net sales	$ 136.3	$ 109.0	$ 410.9	$ 341.9
Cost of sales	120.8	98.1	362.8	299.9
Amortization of intangible assets	1.7	2.7	5.2	8.0
Profit sharing, bonuses, and deferred compensation	0.2	1.9	3.9	8.0
Employee stock ownership plan expense (income)	(0.2)	0.1	1.7	0.8
Other selling, general and administrative expenses	6.5	5.3	18.7	15.4
Impairment of long-lived assets and gain on contracts	(1.7)	—	(4.3)	—
Income from operations	**$ 8.9**	**$ 0.9**	**$ 23.0**	**$ 9.7**
Interest expense	(0.8)	(0.5)	(2.2)	(1.6)
Income before taxes	8.1	0.3	20.8	8.2
Income tax expense	1.5	0.1	4.5	2.1
Net income and comprehensive income	**$ 6.6**	**$ 0.3**	**$ 16.3**	**$ 6.1**
Earnings per share:				
Basic	$ 0.32	$ 0.01	$ 0.80	$ 0.30
Diluted	$ 0.32	$ 0.01	$ 0.80	$ 0.29
Weighted average shares outstanding:				
Basic	20,390,221	20,520,985	20,457,001	20,385,732
Diluted	20,394,386	20,961,470	20,545,983	20,812,382

EBITDA and Adjusted EBITDA Reconciliation

($MM)	Q3 2022	Q3 2021	Year-to-Date 2022	Year-to-Date 2021
Net income and comprehensive income	$ 6.6	$ 0.3	$ 16.3	$ 6.1
Interest expense	0.8	0.5	2.2	1.6
Provision for income taxes	1.5	0.1	4.5	2.1
Deprecation and amortization	7.1	8.0	21.6	23.6
EBITDA	**$ 16.0**	**$ 8.8**	**$ 44.5**	**$ 33.3**
CEO transition costs	0.9	—	1.5	—
Hazel Park transition costs due to former fitness customer	0.9	—	4.7	—
Stock based compensation expense	0.1	1.2	2.9	3.8
Impairment of long-lived assets and gain on contracts	(1.7)	—	(4.3)	—
Adjusted EBITDA	**$ 16.1**	**$ 10.0**	**$ 49.2**	**$ 37.1**
Net sales	$ 136.3	$ 109.0	$ 410.9	$ 341.9
EBITDA margin	11.8%	8.1%	10.8%	9.7%
Adjusted EBITDA margin	11.8%	9.2%	12.0%	10.8%
Incremental Adj. EBITDA Margin	22.5%		17.6%	

Adjusted EBITDA Margin Normalized



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