

# MAYVILLE ENGINEERING COMPANY

2023 Investor Day

# Safe Harbor/Non-GAAP Measures

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995: This presentation contains statements that are forward-looking in nature which express the beliefs and expectations of management including statements regarding the Company's expected results of operations or liquidity; statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance; and statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "we believe," "we intend," "may," "will," "should," "could," and similar expressions. Such statements are based on current plans, estimates and expectations and involve a number of known and unknown risks, uncertainties and other factors that could cause the Company's future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. These factors and additional information are discussed in the Company's filings with the Securities and Exchange Commission and statements in this presentation should be evaluated in light of these important factors. Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

The financial target information provided in this presentation includes the forward-looking financial measures calculated in a manner other than in accordance with U.S. generally accepted accounting principles (GAAP). The non-GAAP measures used in this presentation are adjusted net income (loss) before interest, taxes, depreciation and amortization (Adjusted EBITDA), Adjusted EBITDA as a percentage of net sales (Adjusted EBITDA margin) and free cash flow, which management uses 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 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 cash provided by operating activities, or any other performance measure derived in accordance with GAAP as an indicator of our operating performance.

# Welcome & Agenda

| | |
|---|---|
| **Opening Remarks** | Jag Reddy (President & CEO) |
| **Three Year Strategy Overview** | Jag Reddy (President & CEO) |
| **Commercial Excellence & Expansion** | Ryan Raber (EVP: Strategy, Sales & Marketing) |
| **Operational Excellence** | Rand Stille (Chief Operating Officer) |
| **Financial Growth & Shareholder Value Creation** | Todd Butz (Chief Financial Officer) |
| **Q&A Session** | |
| **Closing Remarks** | Jag Reddy (President & CEO) |
| **Plant Tour** | |



# Presenting Team

Seasoned management team with deep industry experience



## Jag A. Reddy
President & CEO

- W.R Grace
- Pentair
- ITT/Xylem
- United Technologies
- Danaher Corporation
- Denso Corporation

**1+ yr** At MEC

**25+ yrs** Industry Experience



## Todd M. Butz
Chief Financial Officer

- Mercury Marine (a Brunswick Company)
- Schenck Business Solutions

**15 yrs** At MEC

**25+ yrs** Industry Experience



## Rand P. Stille
Chief Operating Officer

- Universal Logistics Holdings
- Shape Corp.
- Johnson Controls

**4 yrs** At MEC

**25+ yrs** Industry Experience



## Ryan F. Raber
EVP, Strategy, Sales & Marketing

- Morton Metalcraft Co.

**14 yrs** At MEC

**15+ yrs** Industry Experience

# Key Messages for Today

| | |
|---|---|
| **MBX Framework** | Guiding value creation across the enterprise |
| **Commercial Excellence** | Expansion within higher-value adjacent end-markets |
| **Operational Excellence** | Improve asset optimization, reduce costs and create capacity for growth |
| **High Performance Culture** | Standardized approach to strategic execution and commitment to excellence |
| **Measurable Shareholder Value Creation** | 2026 Targeted Net Sales of $750-$850M<br>2026 Targeted Adj. EBITDA of $105-$135M<br>2026 Targeted Adj. EBITDA Margin of 14%-16%<br>2026 Targeted Free Cash Flow of $65 - $75M |



# About MEC

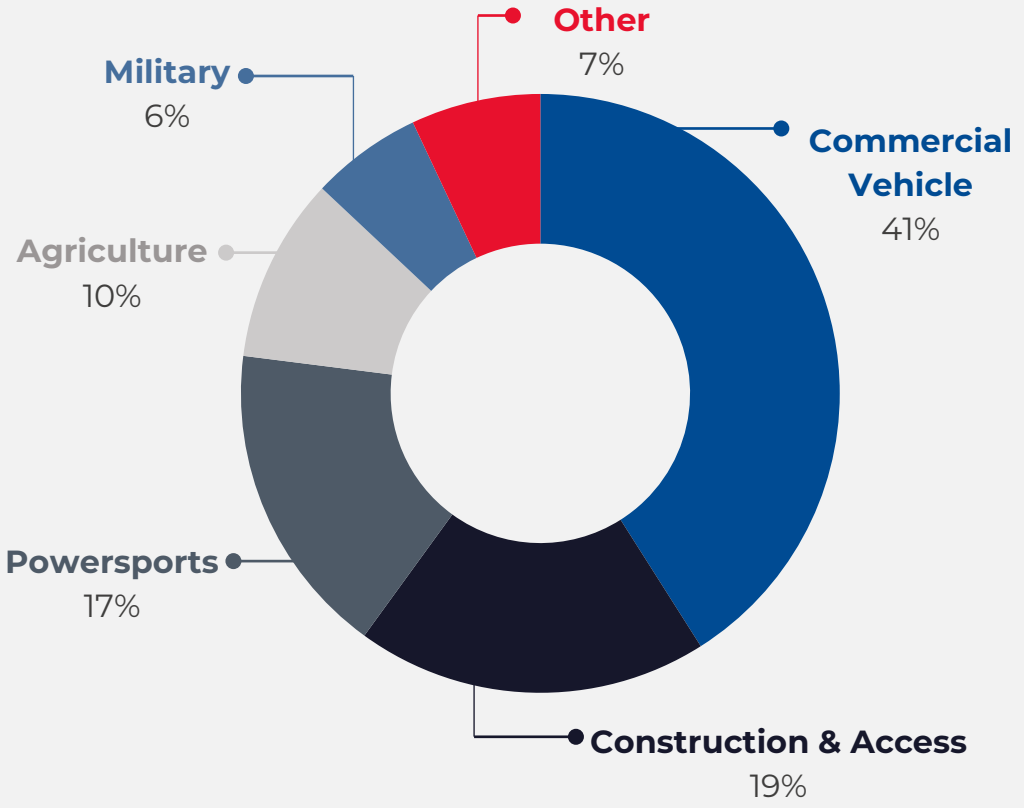
Vertically-integrated, value-added provider of design and fabrications solutions

## We are the largest vertically-integrated, value-added provider of custom prototyping, design and fabrications services in the United States

- 22 Operational Facilities Located in Continental US
- ~ 2,550 Employees
- Provider of Comprehensive Solutions Across Product Lifecycle
- Tier 1 Supplier with Long-Term OEM Customer Relationships
- Lengthy Track-Record of Consolidation Through M&A
- Disciplined Capital Investments; Seek to Achieve ROA > 15%
- LT Goal of Net Leverage at or below 2.5x
- Diverse end-market exposure

## End Market Revenue Mix

Trailing-Twelve Months Ended June 30, 2023



# Strategic Domestic Manufacturing Footprint

Geographically positioned to meet customers' needs

## Founded in Mayville, WI in 1945

**Beaver Dam, WI [2]**
Description of use: Manufacturing
Ownership: Owned

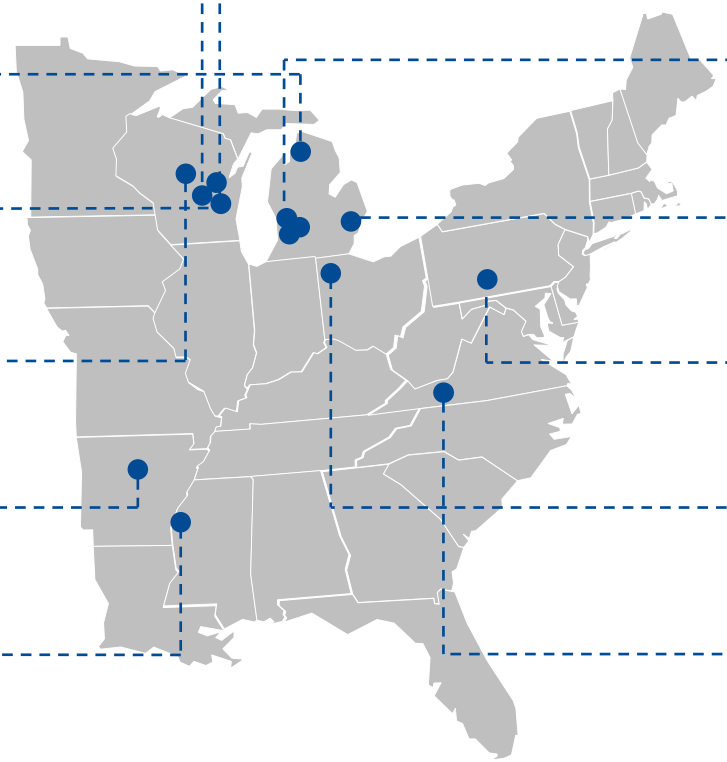
**Vanderbilt, MI [2]**
Description of use: Manufacturing
Ownership: Owned

**Fond du Lac, WI [2]**
Description of use: Manufacturing
Ownership: Owned

**Neillsville, WI [3]**
Description of use: Manufacturing
Ownership: Owned

**Heber Springs, AR [1]**
Description of use: Manufacturing
Ownership: Owned

**Greenville, MS [1]**
Description of use: Manufacturing
Ownership: Leased



**Mayville, WI [2]**
Description of use: Manufacturing / Corporate Headquarters
Ownership: Owned

**Byron Center, MI [3]**
Description of use: Manufacturing
Ownership: Leased

**Hazel Park, MI [1]**
Description of use: Manufacturing
Ownership: Leased

**Bedford, PA [1]**
Description of use: Manufacturing
Ownership: Leased

**Defiance, OH [3]**
Description of use: Manufacturing
Ownership: Owned

**Atkins, VA [1]**
Description of use: Manufacturing
Ownership: Owned

[X] - Number of facilities

# Nearly 80 Years of Profitable Growth



**1945** — MEC founded by Ted and Leo Bachhuber in Mayville, WI

**1955** — MEC enters shotshell reloaders market; later known as the #1 shotshell reloader in the World selling 2+ million units

**1985** — Becomes 100% Employee Owned

**2004** — Acquires Custom Metal Products & Phoenix Coaters

**2009** — 470k sq. ft of facility expansions adding additional capabilities provided to customers

**2012** — Acquires Center Manufacturing, Inc adding 800+ employees and 8 manufacturing facilities in 4 states



**2013** — Acquires APEX Clay Traps introducing the MEC Clay Target Machines product line

**2018** — Acquires Defiance Metal Products (DMP) adding 4 new facilities and 3 new states

**2019** — **NYSE: MEC**

MEC becomes publicly traded through its IPO

**2023** — MEC named #1 on the FAB 40 list of the nation's largest fabricators for 13th consecutive year

Acquires Mid-States Aluminum (MSA) adding lightweight material capabilities with aluminum extrusions and fabrication

## CEO Timeline

**1945 – 1985** Ted Bachhuber

**1985 – 2003** Carl Bachhuber

**2003 – 2005** Tim Clark

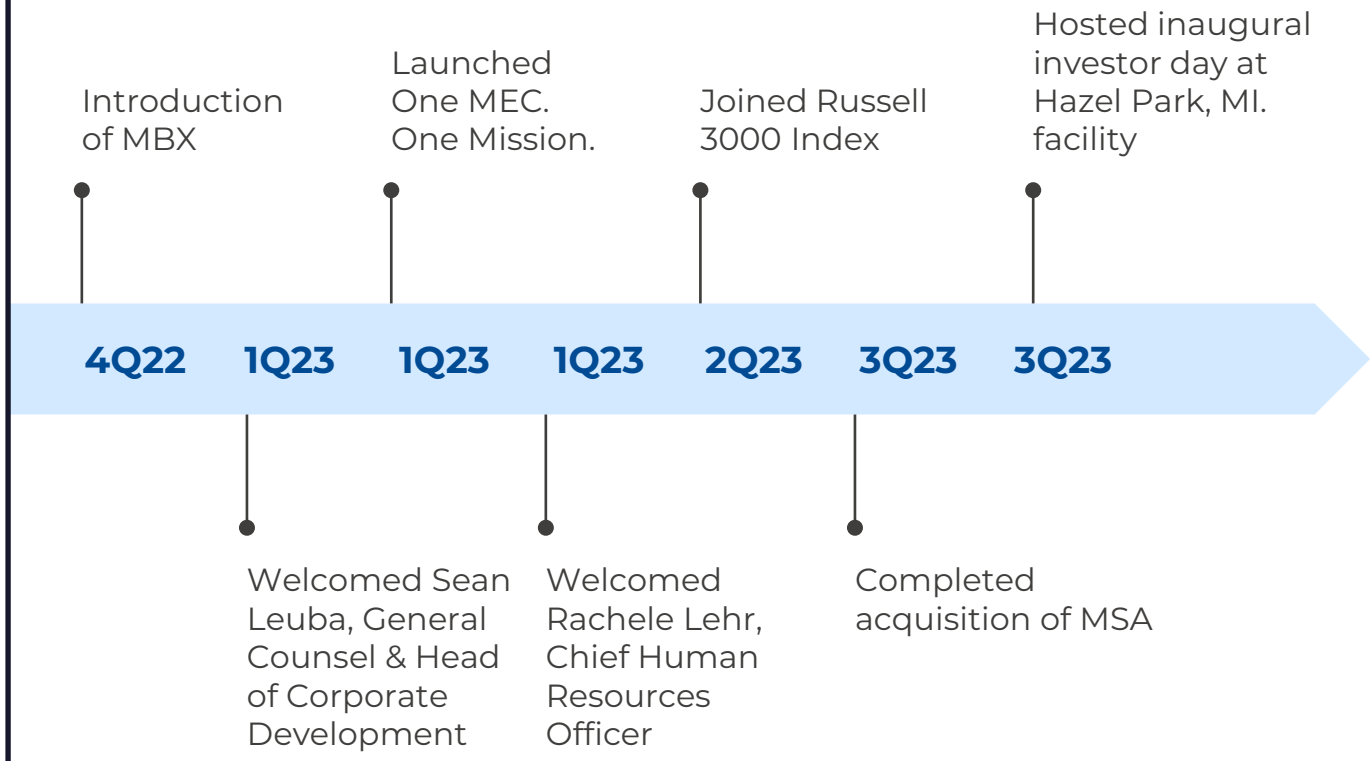
**2005 – 2022** Bob Kamphuis

**2022 – Present** Jag Reddy

# CEO Observations

MEC is Positioned to Execute on Compelling Growth Opportunities

1. Secular trends in outsourcing confirmed by reshoring and customers
2. Automation investments helping with cost and volume productivity
3. MBX driving productivity & plant utilization
4. Energy transition providing significant future growth opportunities
5. Highly skilled employee base takes pride in supporting customers



# Our Value Creation Framework

Transforming business performance through MBX and investing in growth

## High Performance Culture

Enable teams to drive profitable growth

## Operational Excellence

Strategy deployment and implementing a lean culture

## Commercial Excellence

Implement strategic and value-based pricing

## Disciplined Capital Deployment

Generating free cash flow allowing to de-leverage, strategic M&A and shareholder returns

## Human Resource Optimization

Attracting and retaining top talent



# Strategic Objectives

Strategic rationale driven by need to capture

1 MBX Value Creation Framework

2 Organic Revenue Acceleration

3 Adj. EBITDA Margin Expansion

4 Cash Flow & Capital Deployment Strategy



# Mission Statement and Values

Value oriented culture is the foundation of our relationships with all stakeholders



## One MEC. One Mission.

We will empower our team to create premium products and solutions for our customers, enabling growth for employees, shareholders and the communities we serve

One MEC. One Mission.

| | |
|---|---|
| **Integrity** | **Agile** |
| **Respect** | **Customer Focused** |
| **Teamwork** | **Collaborative** |

Our values are the foundation of our company and shape how we do business and treat one another, Integrity, respect and teamwork combined with our commitment to agility, customer focus and collaboration drives our high-performance culture

# High Performance Culture

Enabling our people to deliver their best work while living One MEC. One Mission.



One MEC. One Mission. culture

Talent attraction and employee value proposition

Pay for performance and total rewards

Talent management and succession planning

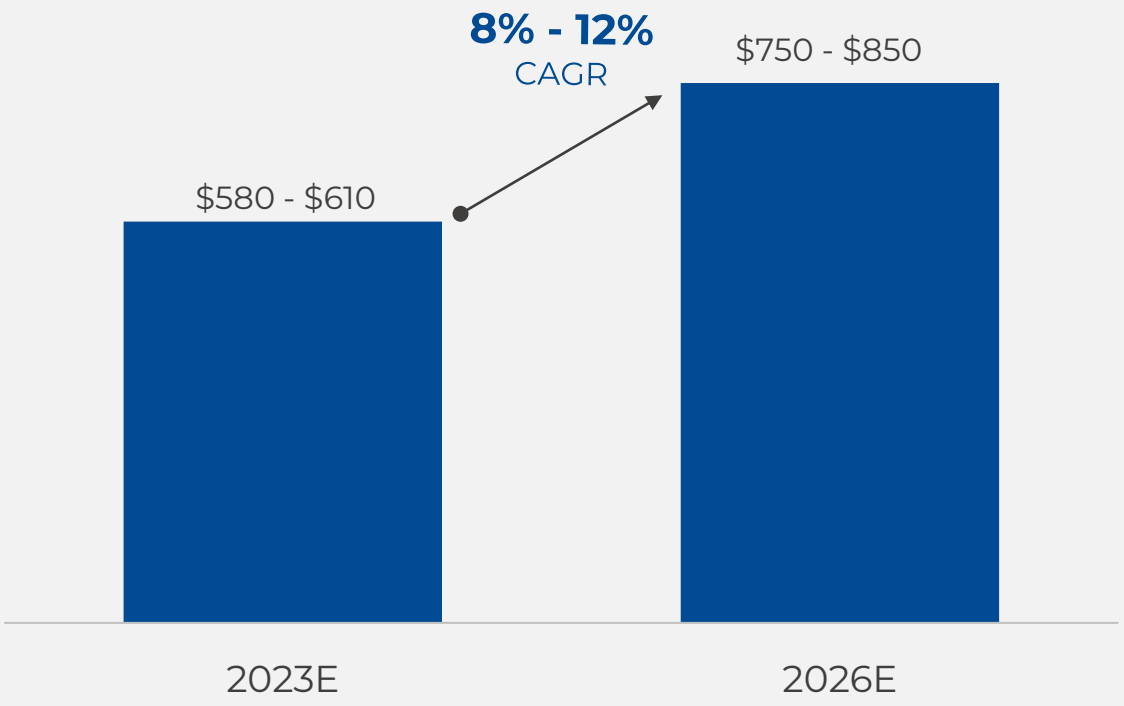
Professional and technical development solutions

# Organic Growth Acceleration[1]

Strategically positioned to benefit from growing customer demand and favorable macro trends

## Total Annual Sales

($s in Millions)

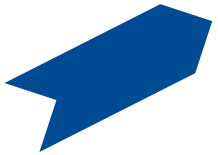
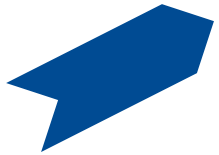
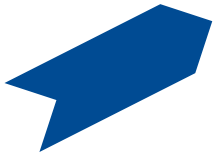
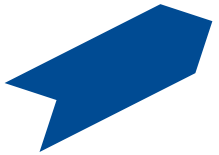
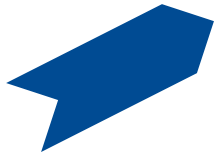
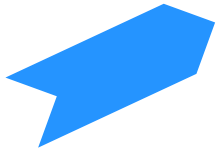



- **#1 Fabricator in US with ~12% share**
  Largest fabricator in a fragmented market
- Macro trends of outsourcing & reshoring in our favor
- Energy transition creates huge opportunity for growth
- Full suite of offerings and customer collaboration create significant share of wallet expansion opportunity
- Path to $750 - $850M organic revenues by 2026

1. Inclusive of Mid-States Aluminum

# End-Market Outlook

3-year outlook reflects stable macro environment and strategic share-of-wallet revenue growth

| | Commercial Vehicle | Construction and Access | Powersports | Agriculture | Military | Other [1] |
|---|---|---|---|---|---|---|
| MEC Sales Outlook |  4% - 8% CAGR |  0% - 3% CAGR |  8% - 12% CAGR |  8% - 12% CAGR |  0% - 2% CAGR |  15% - 20% CAGR |
| End Market Outlook |  0% - 5% CAGR |  (1%) - 3% CAGR |  (1%) - 2% CAGR |  (1%) - 3% CAGR |  0% - 2% CAGR |  (1%) - 3% CAGR |

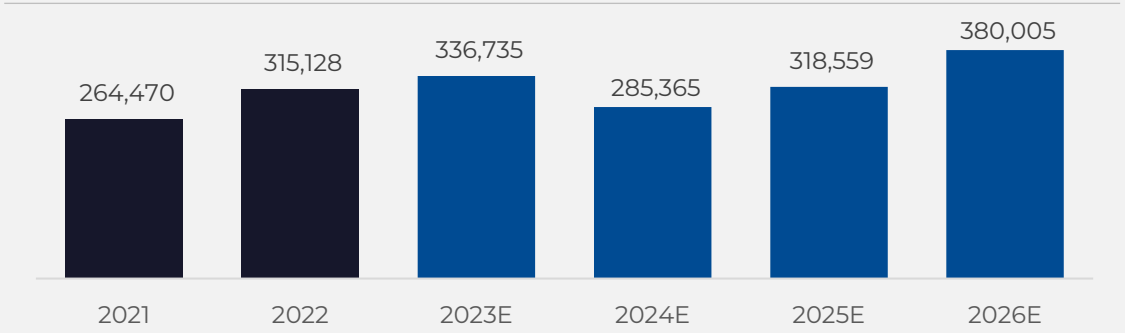
1. Inclusive of entrance into emerging technology sectors (charging stations, energy infrastructure, alternative energy)

# Key Market Macro Outlook

Economic data supports stable demand in key end-markets

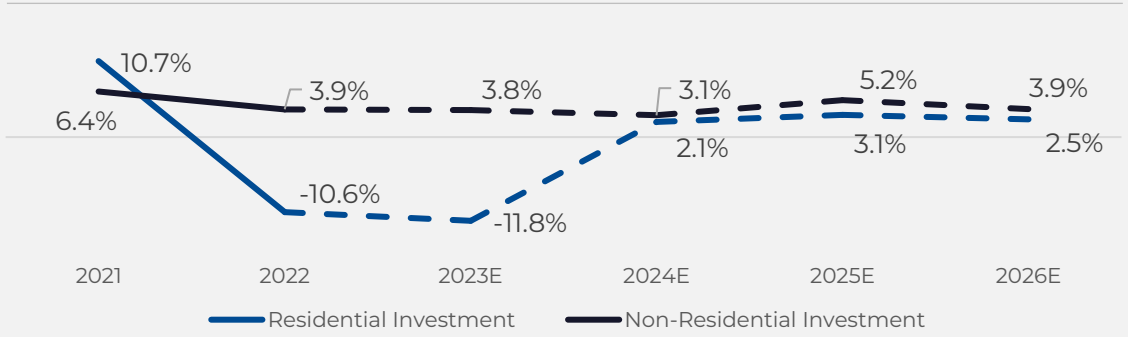
## Commercial Vehicle

North American Class 8 Truck Production



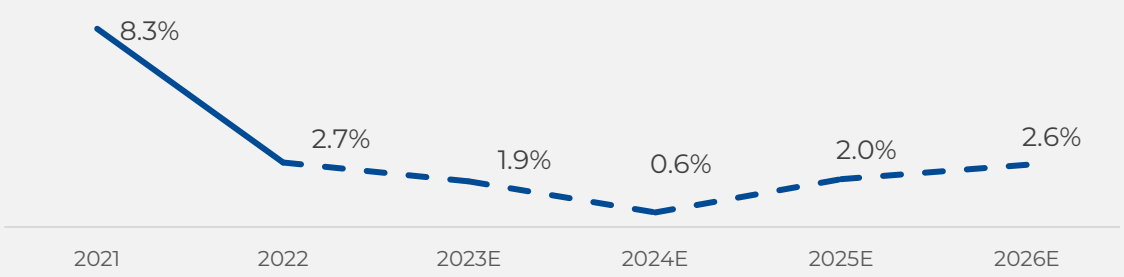

## Construction & Access

Y/Y Percent Change



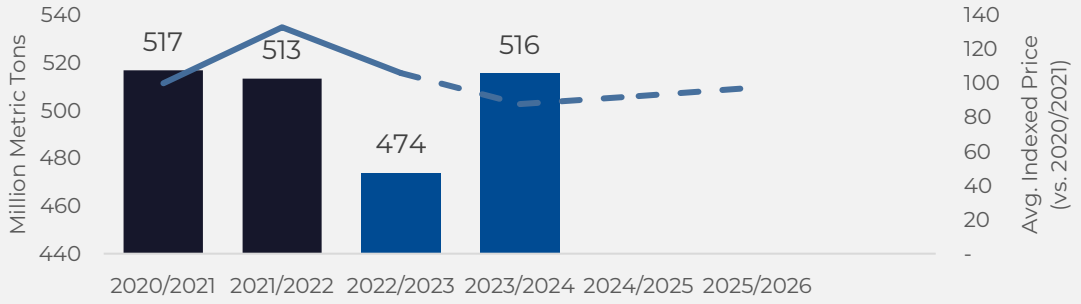

## Powersports

Household Consumption (Y/Y % Chg.)




## Agriculture

U.S Grain Supply and Avg. Index Grain Price Chg.



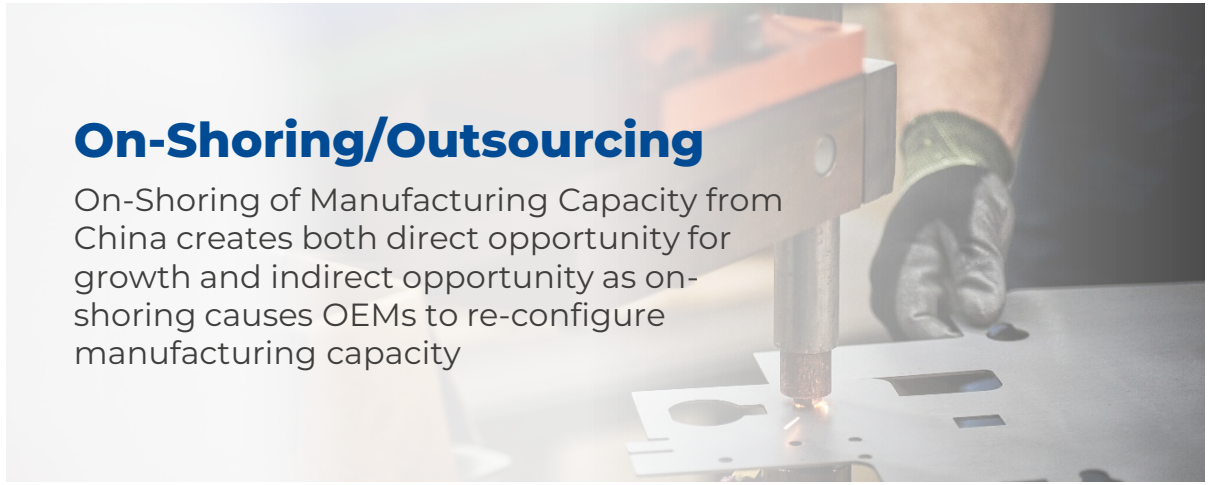

Source: ACT Research, Factset Research Systems and U.S Department of Agriculture

# Attractive Multi-Year Mega Trends

Multi-Year mega trends in on-shoring, outsourcing and vehicle electrification provide substantial growth opportunities

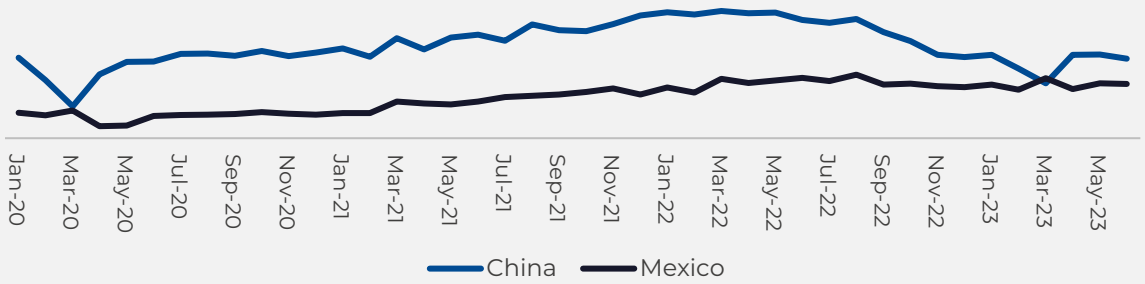
## On-Shoring/Outsourcing

On-Shoring of Manufacturing Capacity from China creates both direct opportunity for growth and indirect opportunity as on-shoring causes OEMs to re-configure manufacturing capacity



### U.S Imports of Steel & Aluminum Industrial Materials

$s in Millions

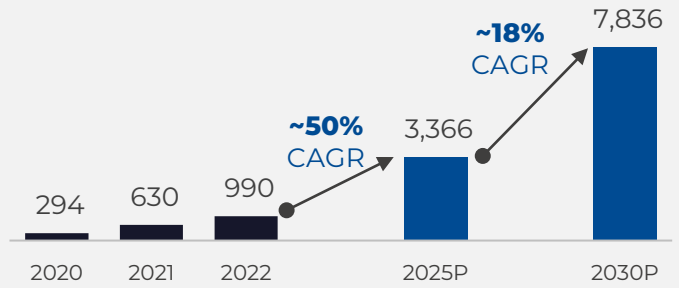



## Vehicle Electrification



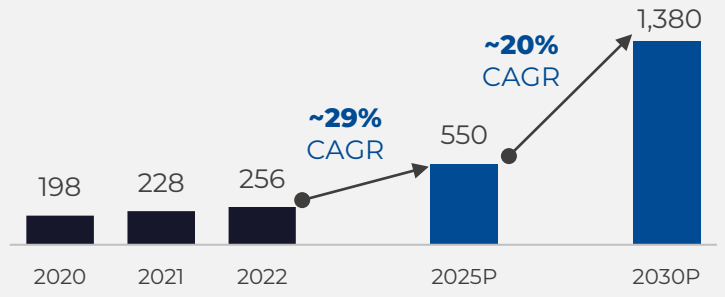
### U.S Electric Vehicle Sales (Cars & Trucks)

000s of Vehicles




### U.S Electric Vehicle Charging Stations

000s of Charging Stations



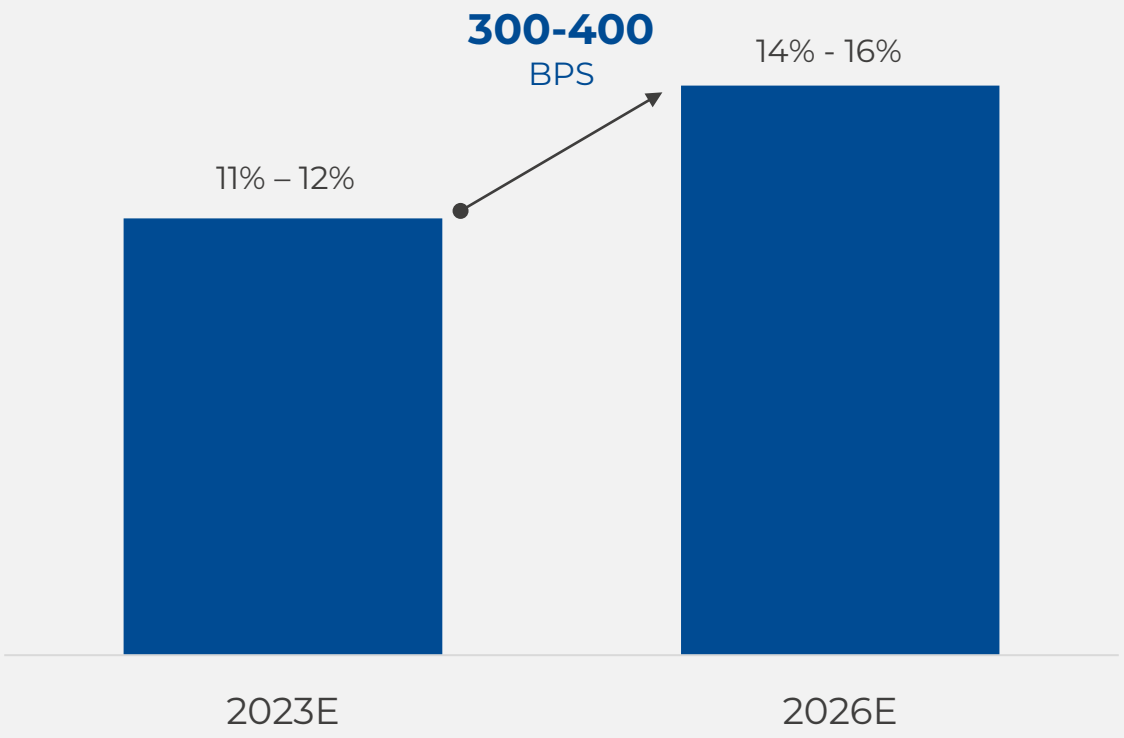

Source: U.S Census Bureau and International Energy Agency (IEA)

# Adjusted EBITDA Margin Expansion [1]

Strategically focused on improving cost absorption and maximizing revenue

## Adjusted EBITDA Margin

% of Revenue




- Operating excellence & automation driving productivity
- Strategic value-based pricing
- Hazel Park ramp-up
- Supply chain productivity
- SG&A leverage

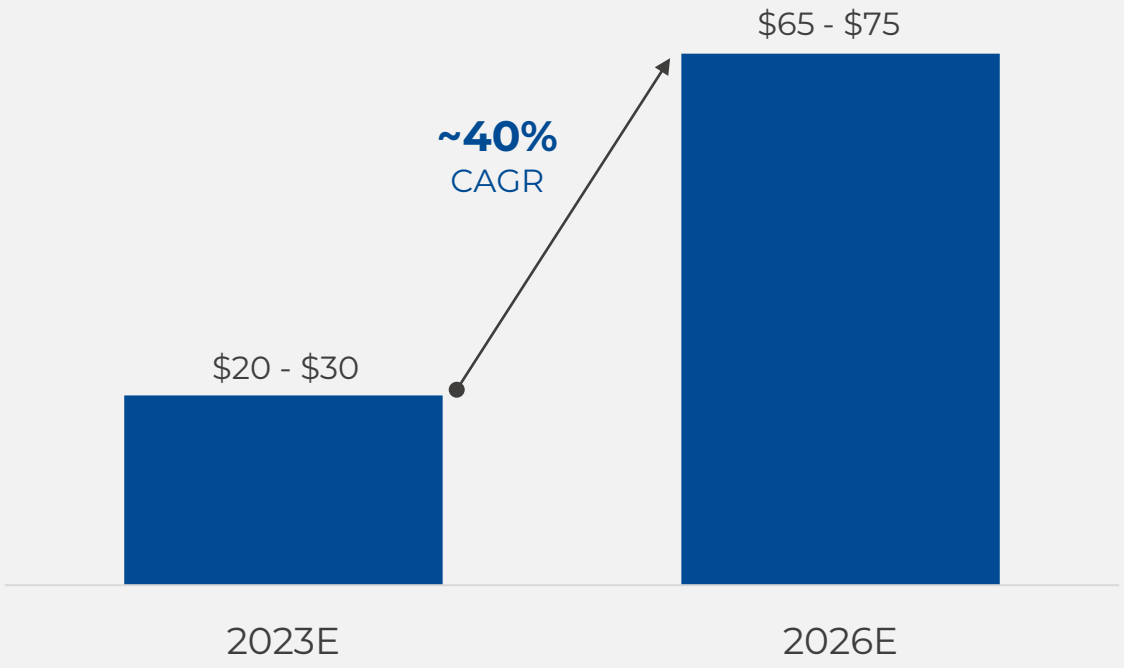
1. Inclusive of Mid-States Aluminum

# Strong Cash Generation Supports Targeted Capital Deployment [1]

Prioritizing shareholder value through strategic capital deployment

## Annual Free Cash Flow

$s in Millions




- Free cash flow generation of ~$200M over next 3 years
- Near-term leverage target of 1.5x and long-term < 2.5x
- CapEx of $15-$20M annually to drive profitable growth
- Facilitates capitalizing on strategic M&A opportunities
- Remaining share repurchase authorization of ~$17M

1. Inclusive of Mid-States Aluminum

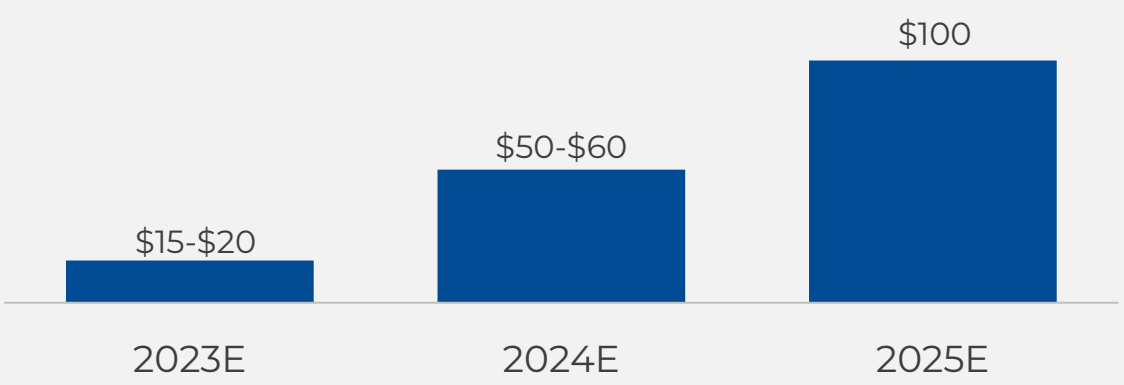
# Hazel Park Ramp Update

263,000 square foot hazel park facility which came online in 2022



## Hazel Park Revenue Ramp

($s in Millions)




- $100M annualized revenue run rate by end of 2024
- Revenue Ranges: 2023E $15-$20M; 2024E $50-$60M; 2025E $100M
- Categorization of revenues – new business landed $45M; transfers $30M; yet to get $25M
- Markets served – CV, Powersports, Ag and Construction, and EV infrastructure
- Adj. EBITDA progression - 100 bps drag today; future state ~ 15% margin fully utilized

# M&A Acquisition Guidelines

Strategic opportunities expanding expertise within light-weight and next generation materials

## Acquisition Criteria

**Revenue:**
$50 – $150M

**EBITDA Margin:**
Accretive to MEC

**Geography:**
North America with a primary focus on the U.S.

## Industry Focus

- Alternative / Renewable Energy
- Electrification Infrastructure
- Industrial Infrastructure
- Additional products to existing customers

## Capabilities

- **Light-Weighting:**
  - Aluminium
  - Plastics
  - Composites
- Design & Prototype Services
- 3-D Printing

# Case Study: MSA Acquisition

Industry leading manufacturer of custom aluminum extrusions and fabrications with value added capabilities

## About Mid-States Aluminum

**Fond du Lac, Wisconsin**

HQ

**1964**

Family Owned and Founded

**2 manufacturing facilities**

Both in Fond du Lac, WI

**~325k sq ft**

Manufacturing Space

**~250**

Non-union Employees

**1**

Acquired July 1st 2023

**2**

Capitalize on existing customer demand for light-weight materials fabrication

**3**

Paid total net consideration of $90M or ~6x trailing Adj. EBITDA

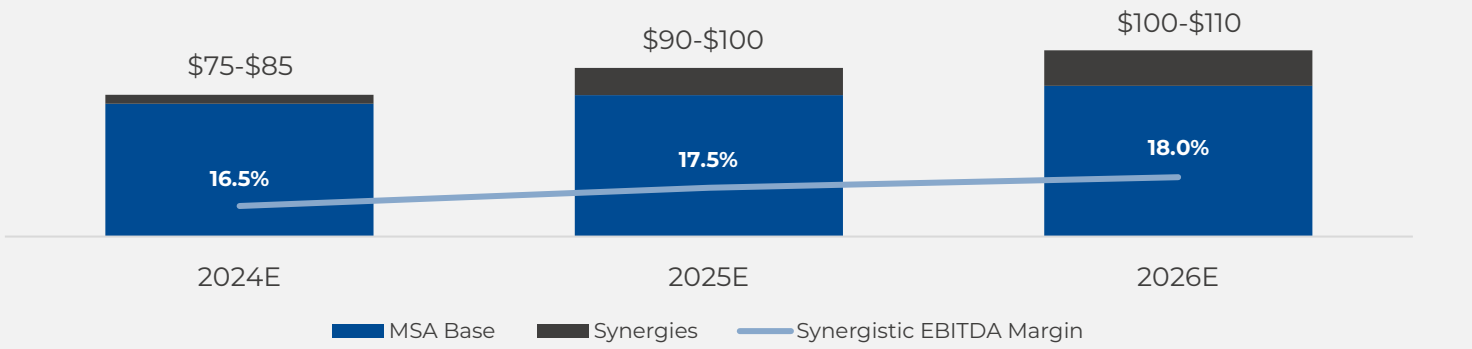
**4**

Projected IRR > 15%

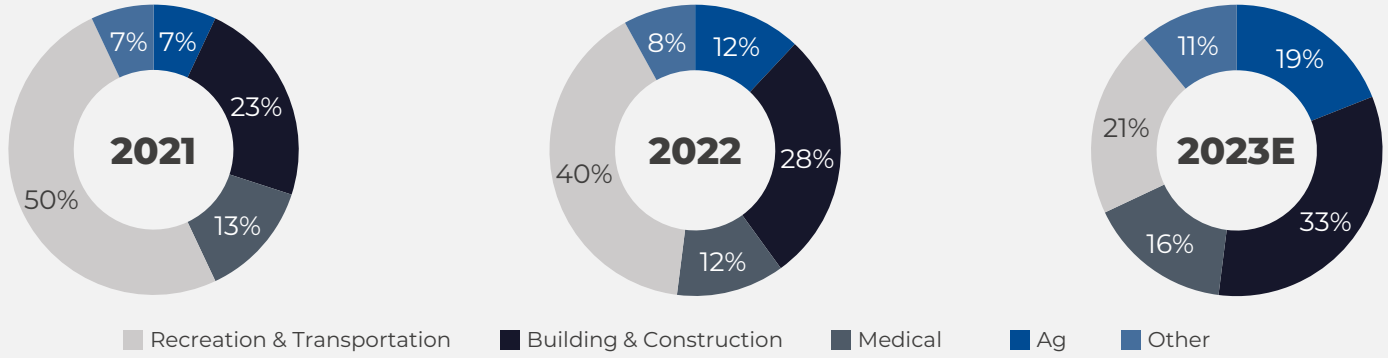
# Case Study: MSA Strategic Rationale

Accelerates execution of MEC's MBX Value Creation Initiative

### MEC-MSA Projected Revenue and Synergies
($ in Millions)




### MSA Historical End-Market Mix
(% of Net Sales)




## Key Investment Highlights:

- Creates immediate cross-selling opportunities within Commercial Vehicle, Ag, and Powersports end markets
- Underutilized capacity allowing for immediate uptake on potential cross-selling opportunities
- Cost Synergies: MBX & Operational Excellence 50bps; Utilization of current Capacity 25bps; SG&A Leverage 75bps
- Highly free cash flow generative – Over $18M of free cash flow from 2020-2022

# MSA Strategic Alignment

MSA is expected to be immediately accretive, excluding transaction costs, to free cash flow, EPS and Adjusted EBITDA

| High Performance Culture | Operational Excellence | Commercial Expansion | Disciplined Capital Deployment | Human Resource Optimization |
|---|---|---|---|---|
| Deploy strategy inside the organization | Lean value stream mapping | Add fabrication capabilities for light-weight aluminum, plastics and composites | Pursue higher-margin, immediately accretive growth investments | Develop a targeted recruiting program to build pipeline of skilled labor |
| Daily lean management implementation | Sales, inventory and operations planning | Diversify into higher-margin emerging growth energy transition markets | Opportunistically pursue share repurchases under existing authorization | Retain and develop key talent through total rewards |
| Root cause countermeasures | Improve utilization | Expand share of wallet with existing customers | Allocate FCF toward debt reduction | Supervisor coaching & development |
| Performance based KPIs to drive accountability | Programmatic reduction of non-essential costs | Leverage standalone design, prototyping and after-market solutions | Maintain adequate liquidity to support growth | Succession planning |
| | Maintain committed safety culture | Implement strategic and value-based pricing | | |

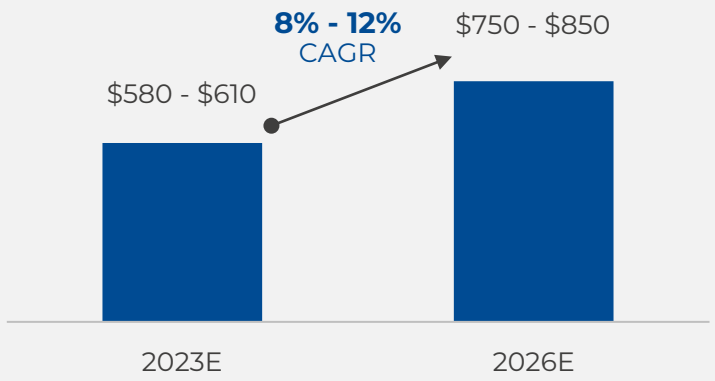
**Transaction aligns with key strategic priorities and meets MEC's targeted 15% IRR threshold**

# Value Creation Roadmap(1)

Strategic actions to yield ratable growth and expand shareholder value

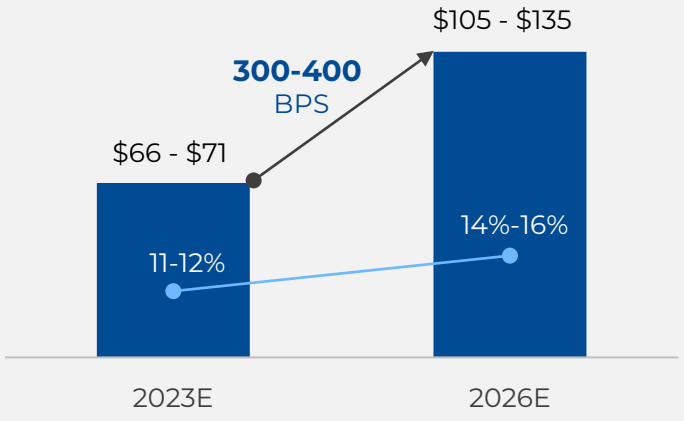
## Sales Performance

$s in Millions



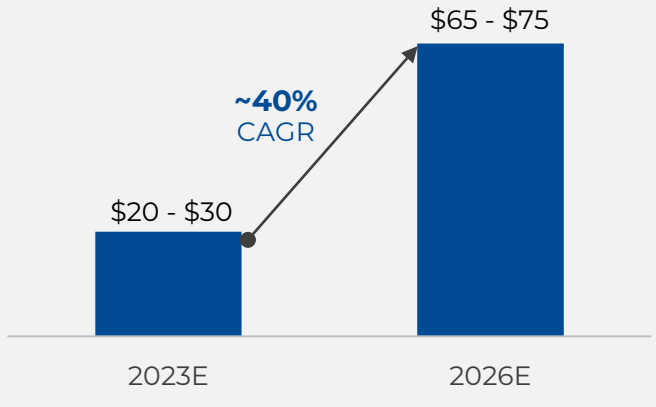

## Adjusted EBITDA Performance

$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



See slide 72 for a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure.

# Executing on Our Strategy

## Vision & Strategy

Execution

MBX Value Creation

+

Organic Revenue Acceleration

+

Adj. EBITDA Margin Expansion

+

Capital Deployment

=

**Shareholder Value Creation**

## High-Performance Culture & Talent

Critical That We Do Each Well



# Commercial Excellence

Ryan Raber – Executive Vice President
of Strategy, Sales and Marketing

# Commercial Excellence - Key Messages

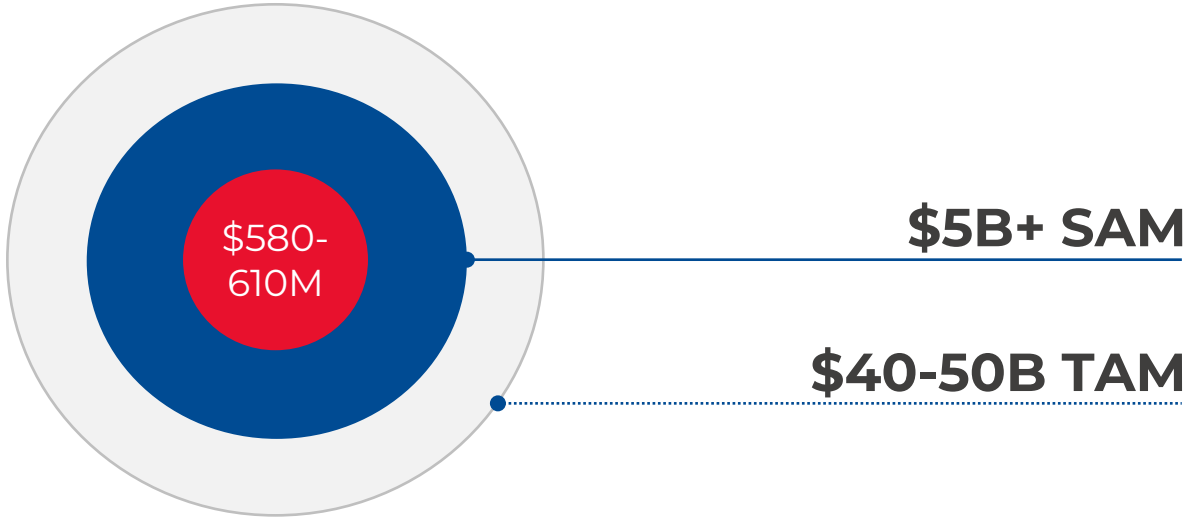
1. Organic Growth Acceleration
2. Margin Expansion
3. Full Product Lifecycle Support
4. Industry Diversification & Strategic Growth in Emerging Technologies



# Market Opportunity

Large addressable market and multiple paths of growth potential

## Total End Market Potential

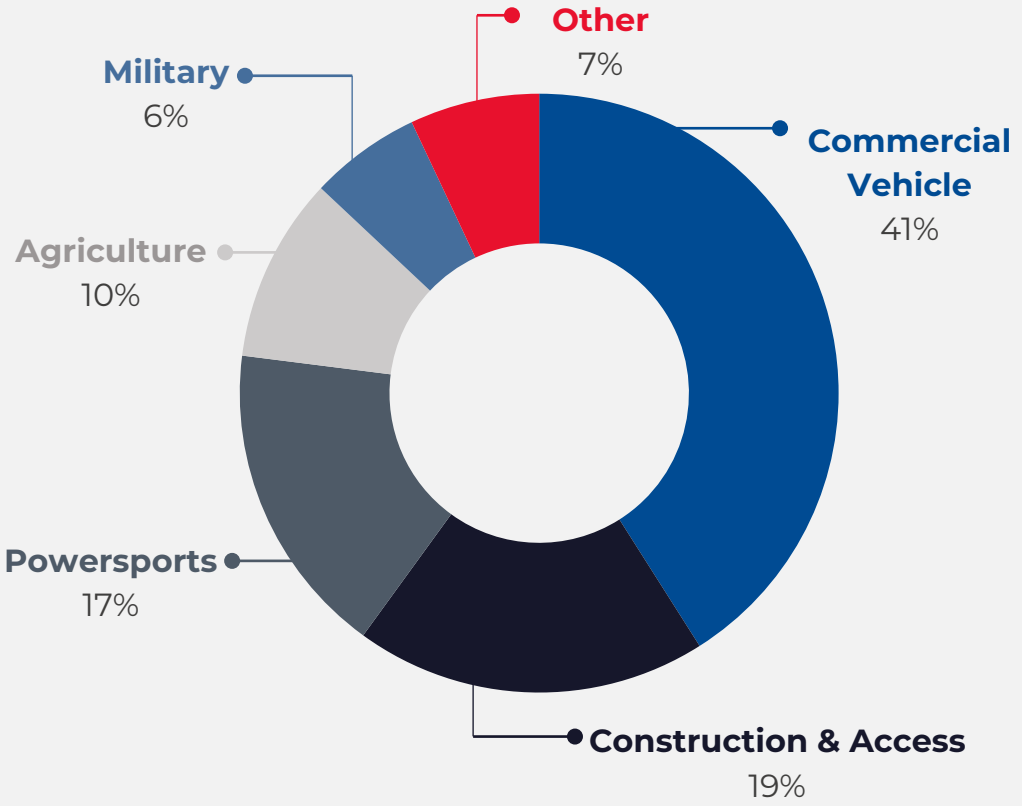



## Room For Significant Growth

- Expansion of Addressable Market through Cross-Selling
- Increased share of markets served
- New customers in emerging technologies

## End Market Revenue Mix

Trailing-Twelve Months Ended June 30, 2023



# Tier-1 Supplier to Global OEMs

End-to-end solutions suite supports long-term, blue-chip relationships

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Commercial Vehicles** | | | | PACCAR 19+ yrs | CVG 32+ yrs | NAVISTAR 34+ yrs | VOLVO 39+ yrs | Cummins 45+ yrs |
| **Powersports** | Kawasaki 2+ yrs | POLARIS 10+ yrs | SP 14+ yrs | HARLEY-DAVIDSON 24+ yrs | HONDA 33+ yrs | MERCURY 45+ yrs | |
| **Construction & Access** | | | | CAT 25+ yrs | JLG 31+ yrs | JOHN DEERE 45+ yrs | |
| **Agriculture** | | CNH INDUSTRIAL 14+ yrs | | WCI WORLD CLASS INDUSTRIES 25+ yrs | | JOHN DEERE 45+ yrs | |
| **Military** | | | OSHKOSH 15+ yrs | | AM General 41+ yrs | | |

**MEC is an integral member of the supply chain for major OEMs**

# Executing on Our Plan

## Revenue Expansion Strategies

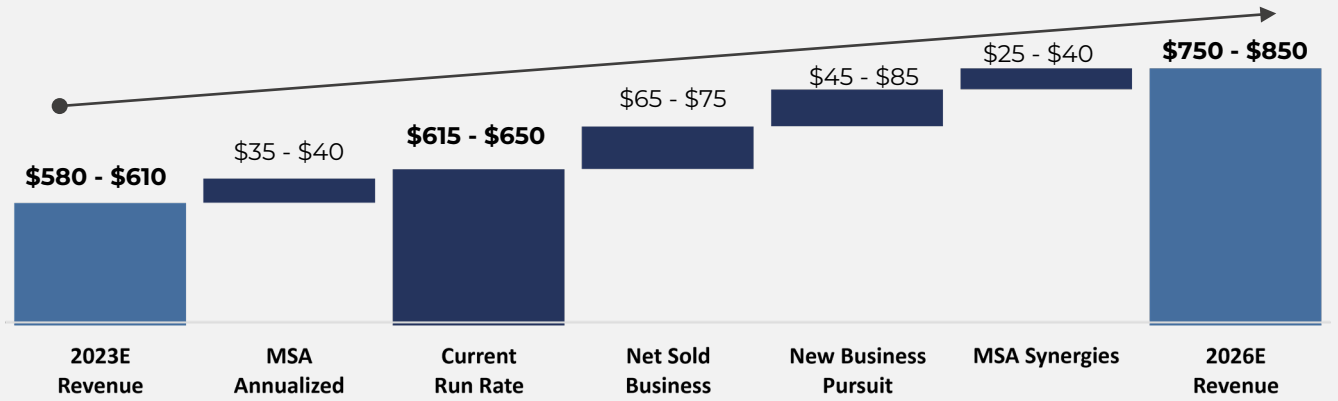
- New Product Development
- Customer Outsourcing and Reshoring
- Customer Supplier Consolidation
- Cross-Selling

### 2022 & 2023 YTD New Business Wins




### Path to 8% - 12% CAGR Revenue Growth Rate

($s in Millions)



# Executing on Our Plan

Leveraging scale as a competitive advantage to grow share-of-wallet with customers

## Powersports – Organic Growth Case Study

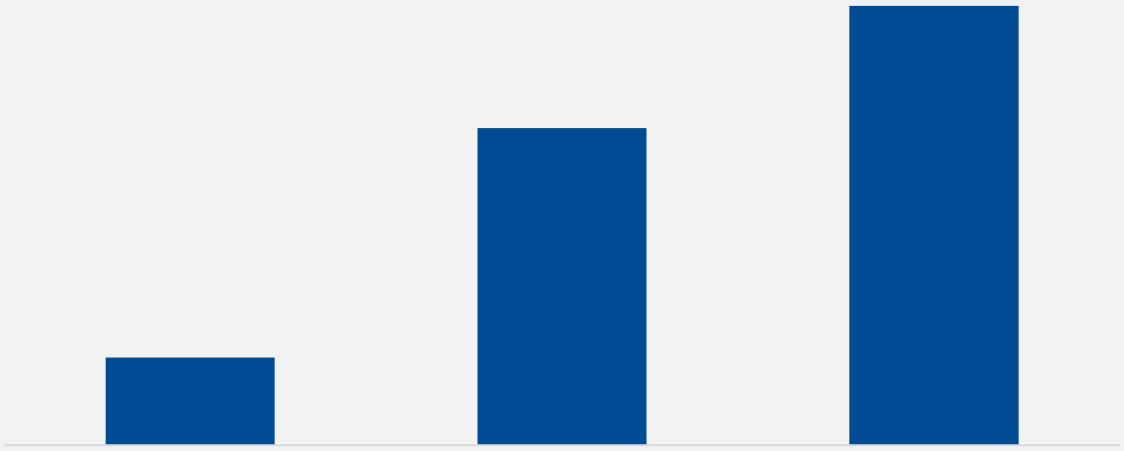
### Industry
Powersports

### Opportunity
New Product Development
- Three significant new model introductions

### Competitive Advantage
- Breadth of Process Offerings
- Breadth of Locations

### How We Won
- Design for Manufacturability Support
- Speed to Launch
- Engineering Resources & Technical Capability
- Network Capacity

### 5x Revenue Growth in 5 Years






# Executing on Our Plan

Maximizing revenue capture through pricing and commercial excellence

## Commercial Excellence Targets

**200 to 250 bps**

Adj. EBITDA Expansion ’23E vs. ’26E

Value Pricing and Elimination of Price Leakage through Process Improvement and Automation

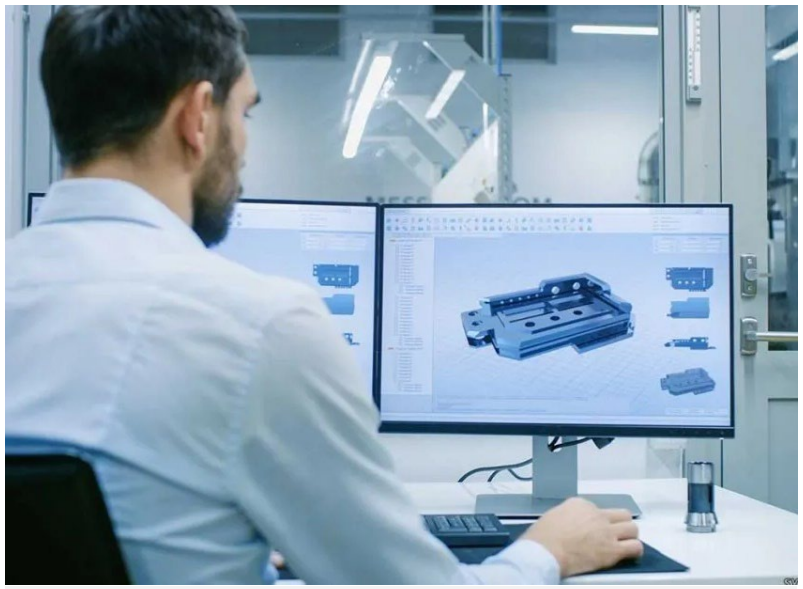
## Pricing Philosophy

- Value Based Pricing Model
- Capture Cost to Serve
- Technology Investment in Process Improvements

**Transactional Process Improvement Kaizens and MBX Implementation driving Commercial Excellence**

# Executing on Our Plan

Leveraging our unique product offering to deepen customer relationships and expand margins



## Design

Integration into Customer Engineering for Design for Manufacturability



## Prototype

Beta Samples & Prototype Support significantly increases probability of production awards



## Aftermarket

Support of higher margin aftermarket

# Executing on Our Plan

Leveraging design and prototype capabilities to grow volume and deepen customer relationships

## Light Duty Commercial Truck – Design & Prototype

### Industry

Light Duty Commercial Truck

### Opportunity

Design & Prototype Development to Win Production Volumes

### Competitive Advantages

- Deep Knowledge of product use & requirements
- Prototype specialization in Tube Business
- Process Automation

### How We Won

- Development of solution for OEM; Translated to our capabilities
- Prototype support during multiple prototype & Beta builds



# Executing on Our Plan

Broad and flexible product offerings creates high-margin opportunity in aftermarket parts

## Aftermarket Fuel Tanks

### Industry
Commercial Vehicle

### Opportunity
Product Mix & Inventory Optimization

### Competitive Advantages
- Breadth of Tank Offerings
- Sophistication for Dealer Direct Ship

### How We Won
- Optimize product offerings based on plant capacity
- Supporting Dealer Direct Shipments to support working capital reduction at customer



# Executing on Our Plan

Energy transition mega-trend provides high-growth opportunities in current and adjacent markets

## Targeting $60-$80M in Revenues in 2026 from Emerging Technologies in markets served

### Targeted Industry Mix

| $35 | $15 | $10 | $5 | $5 |
|---|---|---|---|---|
| EV Management / Infrastructure | Commercial Vehicle | Construction | Agriculture | Powersports |

**Customer indications of demand equivalent to half of targeted $60-$80M in 2026 revenues**







# Executing on Our Plan

Track record of leveraging competitive advantages to tap in to high-growth emerging technology demand

## Electrification – Organic Growth Case Study

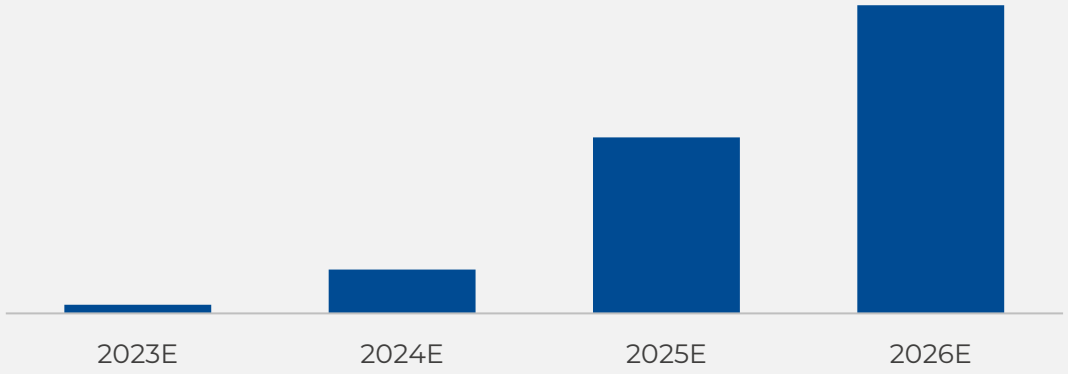
### Industry
Multiple

### Opportunity
Outsourcing and New Product Development
- Multiple Product Families, Focused on Battery Thermal Management

### Competitive Advantages
- Breadth of Process Offerings
- Breadth of Locations
- Hazel Park Capacity

### How We Won
- Design for Manufacturability Support
- Speed to Launch
- Engineering Resources & Technical Capability

### Significant Growth Forecasted Over Three-year Horizon






# Commercial Excellence Summary & Key Messages

## Commercial Excellence Targets

**1** **Organic Growth Acceleration**

**2** **Margin Expansion**

**3** **Full Product Lifecycle Support**

**4** **Industry Diversification & Strategic Growth in Emerging Technologies**

## Commercial Excellence Takeaways

- Current booked business provides multiple avenues to long-term growth. Significant new project development activities
- Systems in place to drive programmatic pricing on new and existing programs
- Recent wins allowing further value creation in participation in design, prototype and aftermarket programs
- Traction on Electric Vehicle Platforms; Continue to expand share in multiple end industries

# Operational Excellence

Rand Stille – Chief Operating Officer



# Operational Excellence Key Messages

1. Margin Expansion
2. Inventory Reduction – Improving Working Capital and Supporting FCF
3. Investing in Advanced Manufacturing & Automation
4. Better Capital Utilization – Employing Open Capacity

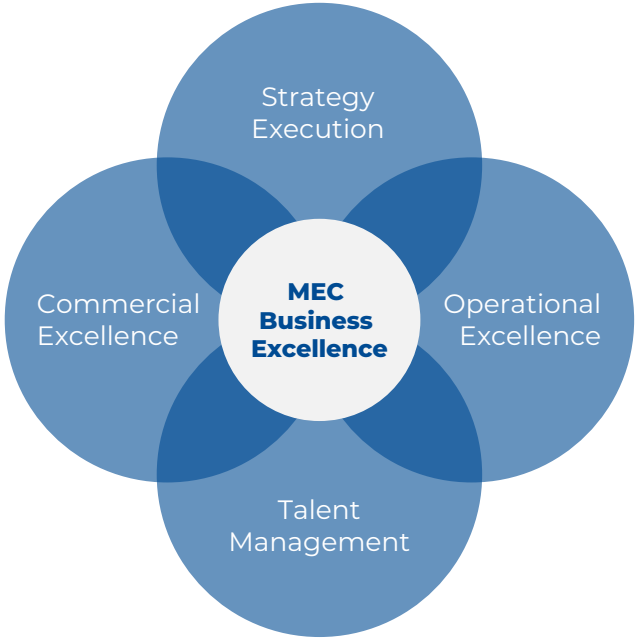


# Margin Expansion through Operational Excellence – MBX

## Established in September of 2022, MBX is MEC's Lean initiative to drive excellence across the entire organization

### 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




### Operational 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

# Margin Expansion through Operational Excellence – MBX

MBX Framework creates systematic approach to drive improved cost absorption

## MBX Tools Improve Every Aspect of our Operations

## Driving Margin Enhancement through Operational Excellence

### MBX Tools

- Kaizen
- Lean Daily Management (LDM)
- Value Steam Mapping
- Gemba Walks
- Single Minute Exchange of Dies (SMED)
- 6S Audit Process
- Transactional Process Improvement (TPI)
- Strategy Development Process (SDP)
- Sales, Inventory, and Operations Planning (SIOP)
- Monthly Business & War Room Reviews

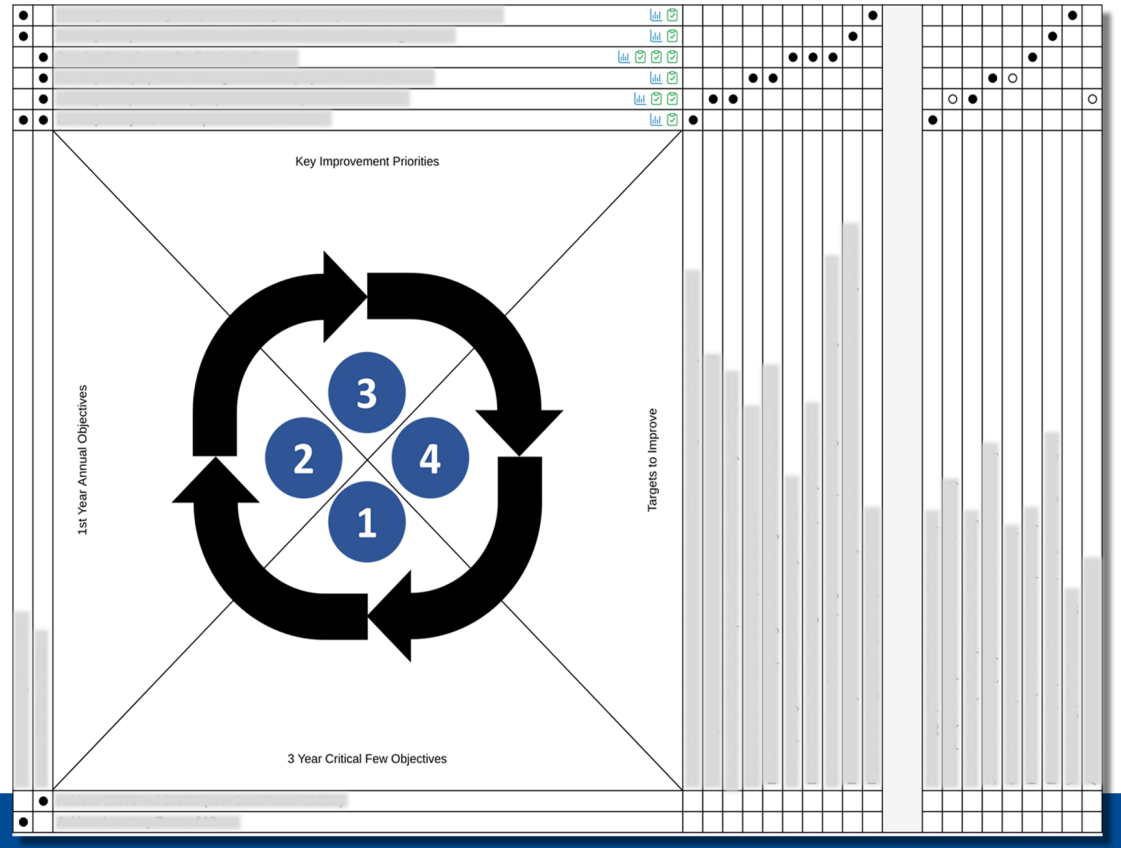
### KPI's

- Safety
- Quality
- Delivery
- Inventory
- Productivity

# Margin Expansion through Operational Excellence – MBX

Established organizational structure dedicated to implementing, driving and sustaining MBX

## MEC 2023 Strategic Planning X-Matrix




**SD Planning**

- Focuses on the implementation of Breakthrough Objectives
- Links Breakthrough Objectives with specific Resources
- Aligns Resources within the company

**SD Implementation**

- Facilitates on-going review of progress (PDCA)
- Results in specific Action Plans and Measurements
- Is always a dynamic process

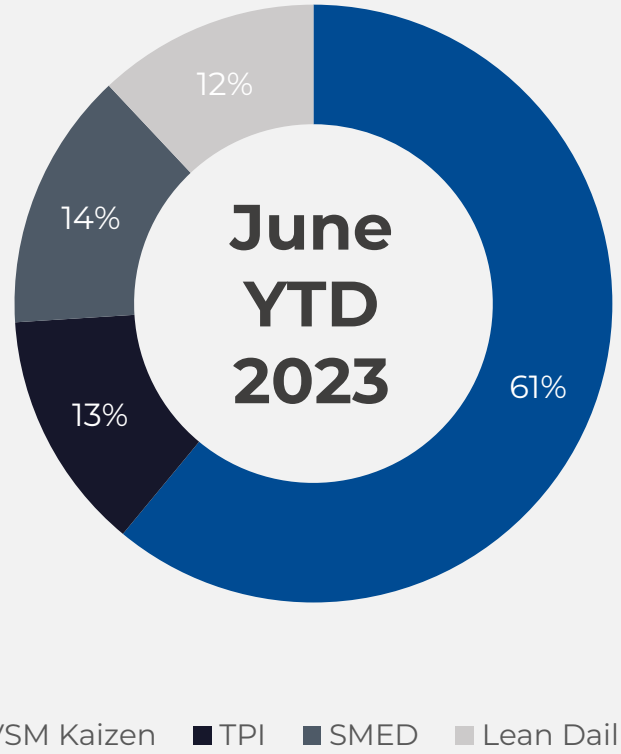
- **Created Vice President of MEC Business Excellence**
- **Dedicated MBX Engineers supporting every site**
- **Training on all MBX Lean Tools**
- **Weekly War Room Reviews**
  - Ensuring Planning and Sustainability at all Sites

# Margin Expansion through Operational Excellence – MBX

Events in 1H23 generated $1.6M YTD in savings; on track for annual goal of 40-70 bps improvement

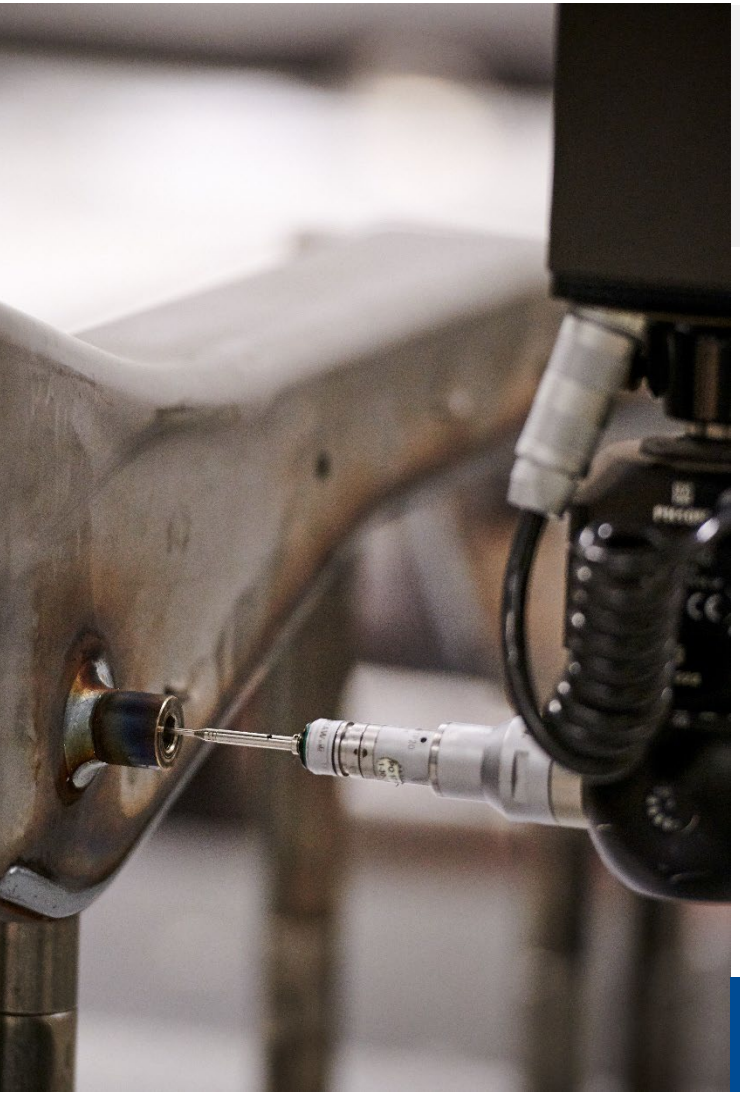
- 75 MBX Lean Events in 1H23
- ~350 unique participants in these events
- Events include Kaizens, Lean Daily Management, Tooling Changeover and Transactional Process Improvements

## MEC Kaizens by Type



# Case Study: Battery Box Assembly Value Stream Map (VSM)

Leveraged MBX toolkit to improve labor productivity



## The Opportunity

- Original process required several sub-components
- This approach resulted in excess material handling between processes
- Opportunity to combine operations and increase use of robotic welder

## The Action

- **Value Stream Map** utilized to identify cycle time opportunities and material flow issues
- Several key findings addressed by corrective actions
  - Load/unload assists
  - Improved hand rivet tool
  - Modified weld center tooling
  - Refined weld pattern
  - Combined operations with improved cycle time balance

## Outcome

- Improved Final Weld Cell time by 1,577 hours annually
- Combined sub-weldments (3 operations) into one balanced operation

**Reduced project labor costs by 24%**

# Case Study: Coil Press SMED Improvement

Utilized MBX toolkit to improve productivity and delivery



## The Opportunity

- Changeovers on a coil press in Byron Center were not standardized and poorly executed
- Long die set-up times consumed too much machine time and labor

## The Action

- **SMED** event held to identify wastes and develop an optimized standard workflow for die changeovers
- Several key findings addressed by corrective actions
  - Travel reduced
  - Set up carts created
  - Staging area defined
  - Standard Work developed

## Outcome

- Coil press set-up time reduced from average of 68 minutes to 34 minutes

**Improved die changeover time by 50%**

# Inventory Reduction Supporting Working Capital Efficiency

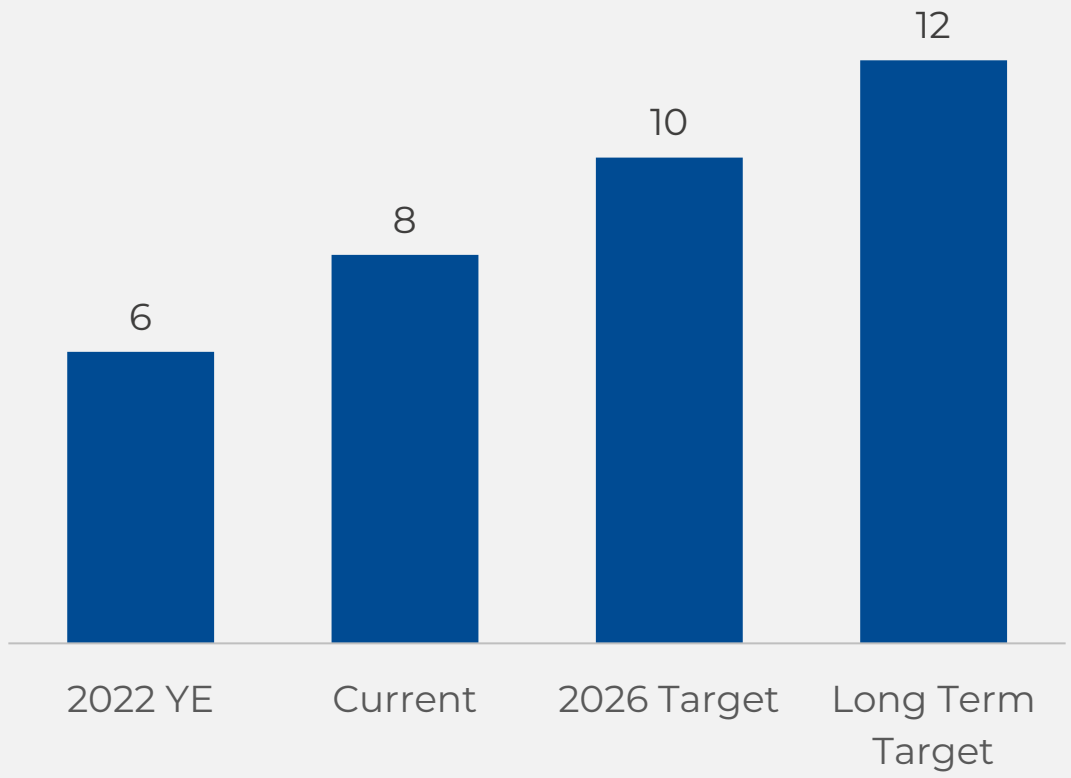
Inventory reductions targeted to reach 10 turns in 2026

## Employing the SIOP Process across MEC

- Utilizing Best Practice from Fabrications
- Establishing PFEP/parameters
- Implemented in majority of sites by Q2
- Complete implementation in Q3

## Initial improvement to 8 turns in 1H23

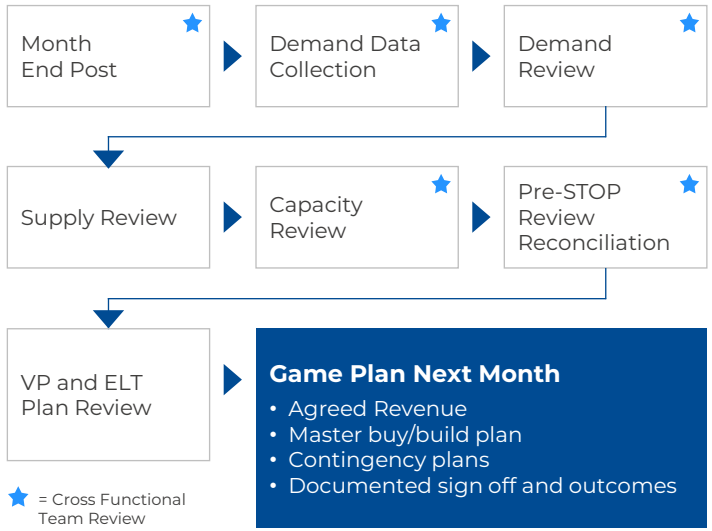
### Inventory Turns



# Inventory Reduction Supporting Working Capital Efficiency

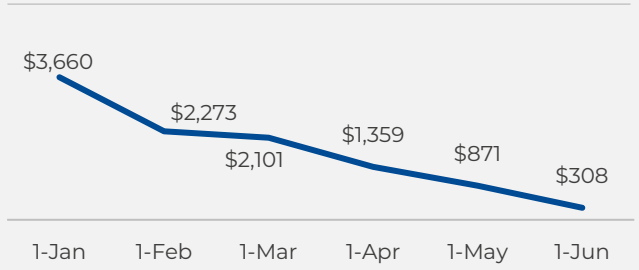
Case Study: Implementation of Sales, Inventory, and Operations Planning (SIOP)

## Sales, Inventory and Operations Plan (SIOP) Process




## Facility Inventory Excess Reduction

($s in thousands)




## The Opportunity

- Inconsistent demand signals and late changes in EDI releases result in excess inventory of finished goods and WIP at our Performance Structures operations

## The Action

- Implemented **SIOP** to improve accuracy of demand projections
- Using SIOP with a Plan for Every Part (PFEP) approach the team better aligned material order releases and production planning schedule to real customer demand

## Outcome

- Completion of SIOP Development for the Byron Center Site in January 2023
- Immediate results from implementation of the SIOP Planning and PFEP Reviews

**Over $3M in excess inventory removed from process**

# Investing in Advanced Manufacturing & Automation

Over the last 3 years, MEC has separated itself as the clear industry leader in technology

- New Robotic Weld Centers ..... **25**
- New Fiber Lasers ..... **11**
- Robotic Brake Press Cells ..... **6**
- New Tube Lasers ..... **2**

**Invested ~ $30M in growth and automation over the last 3 years**



# 35% Increase in Workforce Productivity Since 2019

As measured by annual revenue per associate

## Advancements in Laser Technology

Fiber Laser Technology advanced to 12K with automated loading and runoff

## Advancements in robotic automation on Brake Press and Welding Operations






# Better Capital Utilization – Employing Open Capacity

On track to achieve target $100M revenue run rate at Hazel Park by the end of 2024

## Hazel Park Launch

**SKUs Launched in 2023 at Full Run-Rate Volume to generate $74M annually**

- Launch: Part Set-up, Process Development, Inspection (ISIR) and Process Validation (PPAP)

**Capital in place to support growth plan**

**Very capable local labor market**

- Supportive of premium shifts



# Better Capital Utilization – Employing Open Capacity

Growth potential can be achieved through improved capacity utilization and workforce management

## Substantial Open Capacity to Support Growth Plan

| | |
|---|---|
| Fiber Lasers | 56% |
| Brake Press | 65% |
| Stamping Press | 57% |

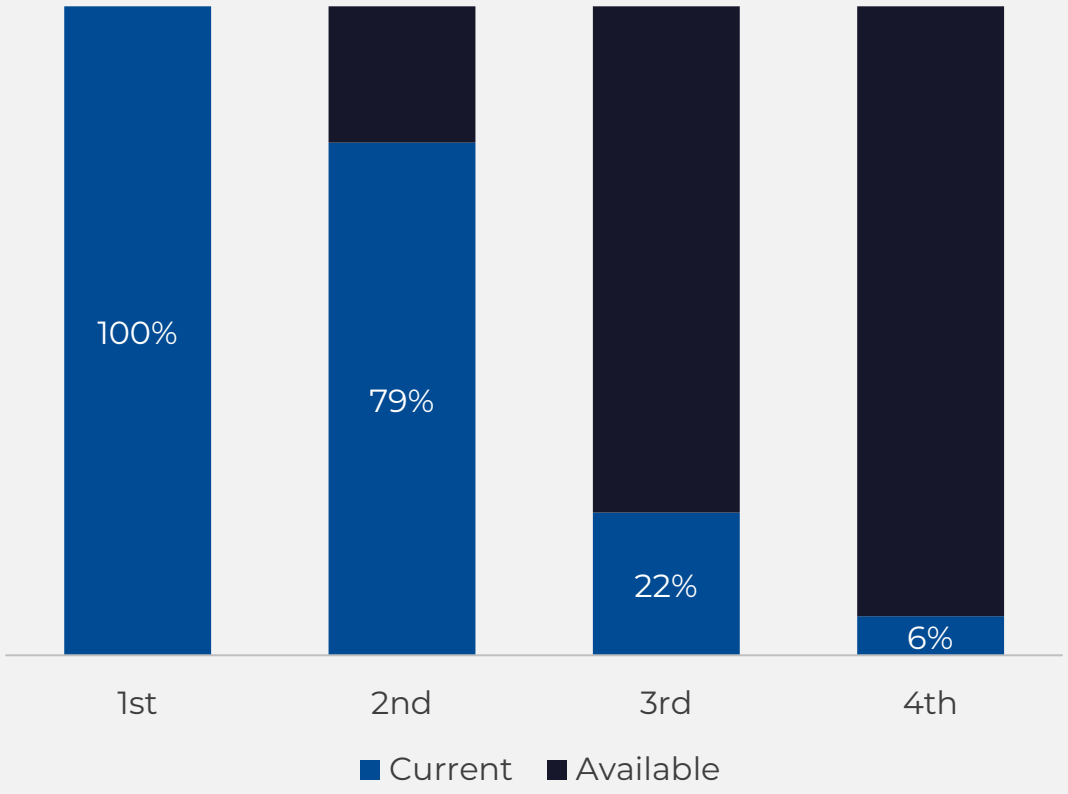
* Above %'s of 24/7 capacity

## Driving 3 & 4 Shift Structure

- Provides additional capacity
- Timing supports growth plan

### Shift Utilization

% of Total Capacity



# Operational Excellence Summary and Key Messages

## Commercial Excellence Targets

| | | |
|---|---|---|
| 1 | **Margin Expansion through Operational Excellence** | A great start to MBX; we are on target to annual and long-term goals |
| 2 | **Inventory Reduction – Improving Working Capital and Supporting FCF** | Improved inventory by 2 turns in 2023 and plans to double inventory turns |
| 3 | **Investing in Advanced Manufacturing & Automation** | Investment in automation and technology have reduced required labor and increased capacity |
| 4 | **Better Capital Utilization – Employing Open Capacity** | Improve capital utilization through premium shift structure and ramp up in Hazel Park |

## Operational Excellence Takeaways



# Financial Growth & Shareholder Value Creation

Todd Butz – Chief Financial Officer

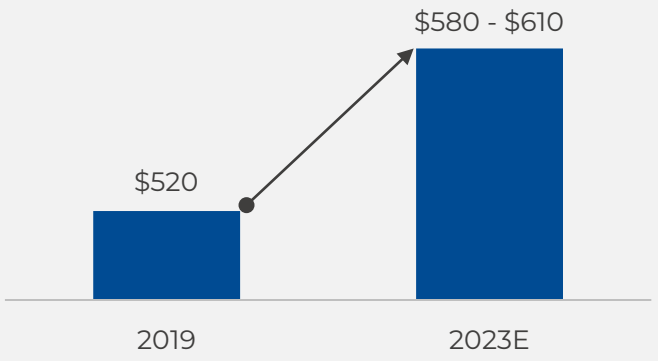
# Financial Key Messages

1. Organic Growth Acceleration
2. Margin Expansion Through Commercial and Operational Excellence
3. Driving Improved Free Cash Flow Generation
4. Maintaining a Strong Balance Sheet While Strategically Allocating Capital and Creating Shareholder Value

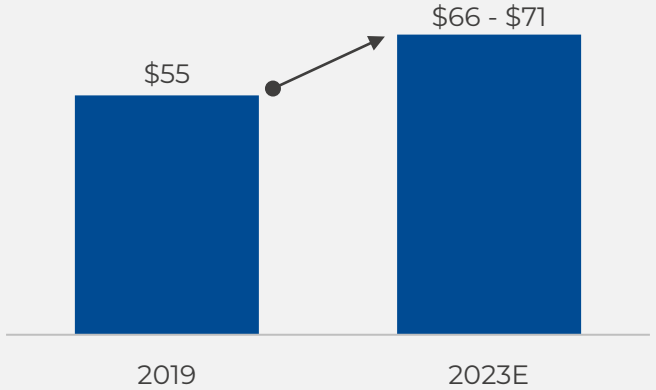


# Financial Performance & Targets[1]

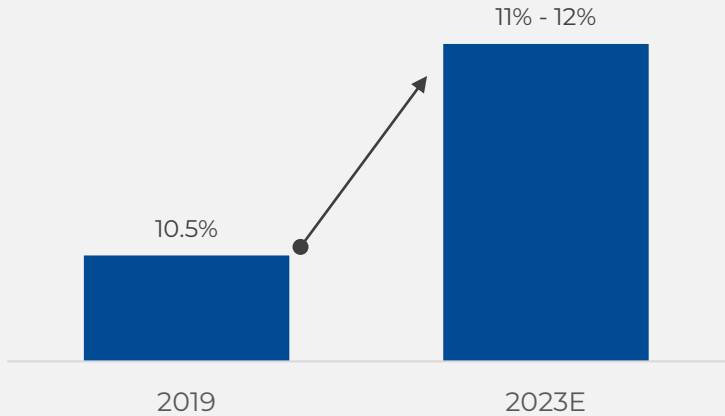
## Sales Performance
$s in Millions




## Adjusted EBITDA
$s in Millions




## Adjusted EBITDA Margin
% of Sales




**1**

Despite pandemic headwinds and customer supply chain issues, MEC continues to gain market share

**2**

MEC continues to deliver record Adj. EBITDA, three of the past five years

**3**

Investment in technology & automation has reduced our dependence of labor – >3,000 employees pre-pandemic ~2,550 today

**4**

Improved EPS performance despite continued inflationary pressures

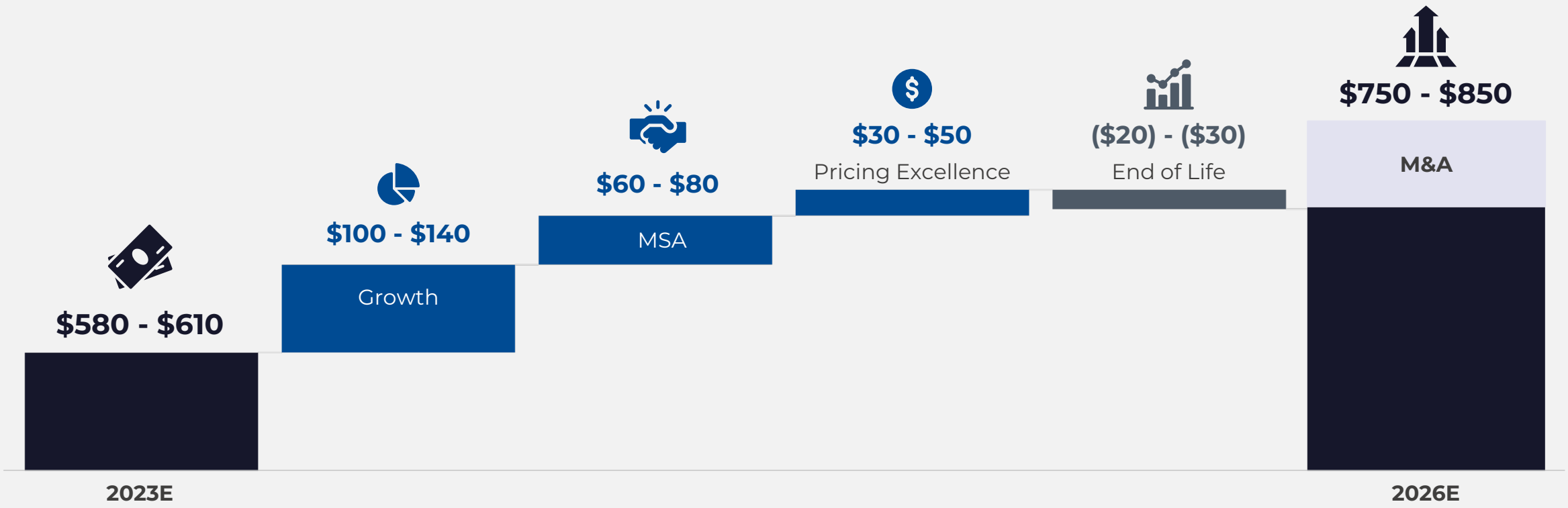
(1) 2023E is inclusive of Mid-States Aluminium (MSA)

# Organic Growth Acceleration

3-Year Organic Revenue CAGR of 8% - 12%, before incremental M&A

## Three Year Sales Reconciliation [1]

$s in Millions



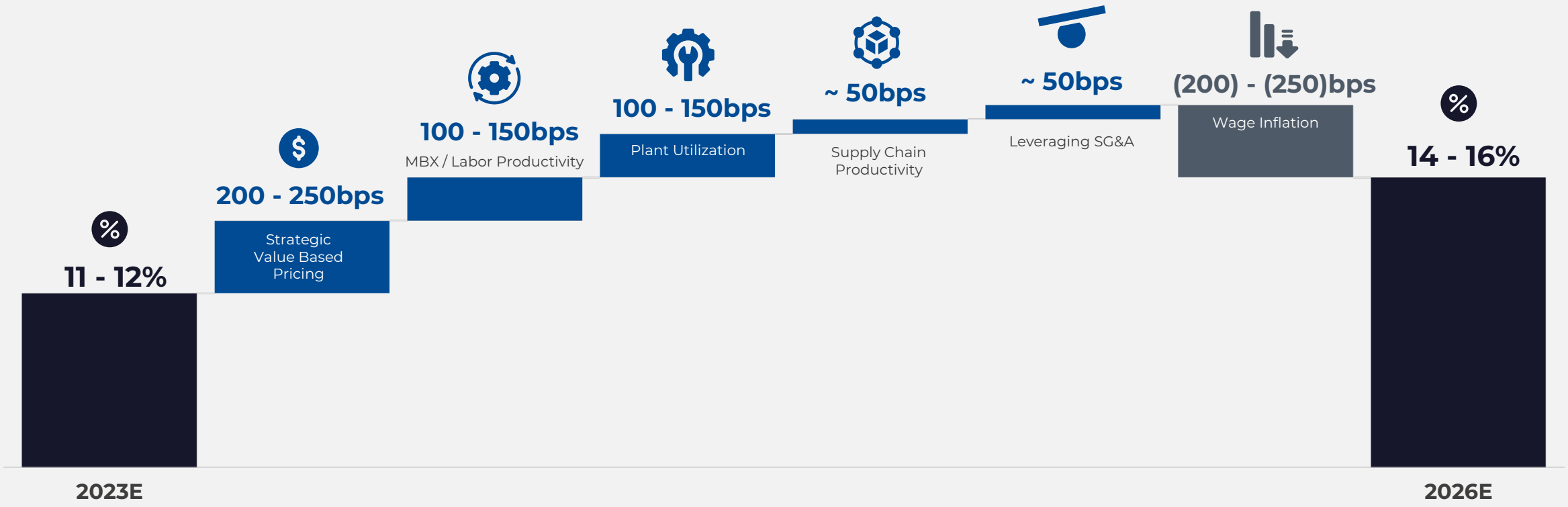

(1) Inclusive of Mid-States Aluminum

# Accelerated Margin Expansion

Targeting 3-Year Adjusted EBITDA margin expansion of 300bps – 400bps

## 3-Year Adjusted EBITDA Margin Reconciliation

Adjusted EBITDA as a % of Sales



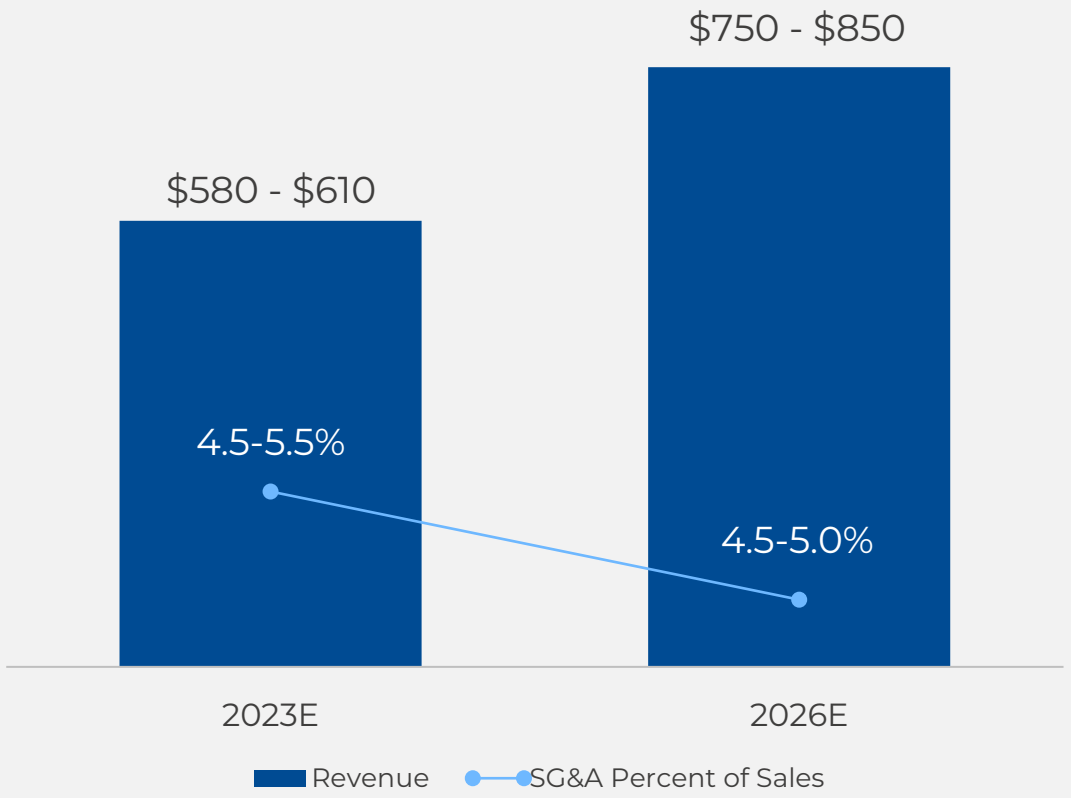

**Note:** Assumes stable material pricing (CRU of $700-$900/ton)

# Leveraging SG&A

Attractive operating leverage contributes to margin expansion amid topline growth

## 3-Year Sales and SG&A Targets

$s in Millions
SG&A as a % of Sales




## Key Highlights

2023E SG&A **$31 - $33M**
2026E SG&A **$35 - $40M**

**~ 50 bps** of SG&A drop through

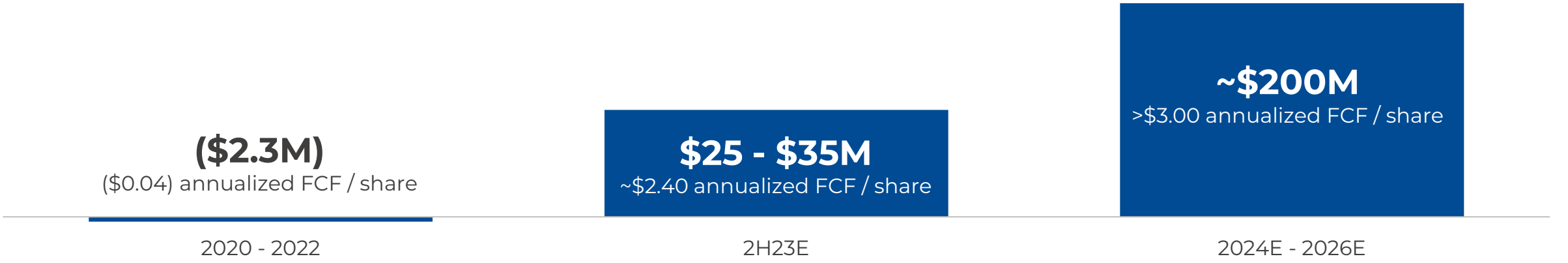
EGC Status change / SOX Compliance in 2024 will increase our public company costs from **~ $3.5M** annually to **~ $5.0 - $5.5M**

**Note:** Assumes 3.0% salaries and benefits inflation

# Strong Free Cash Flow

Free cash flow generation to fuel growth investment and shareholder returns

## Free Cash Flow[1] Generated




**1**

Heavy CapEx investment cycle ended in 2022; expecting more normalized $15-20M CapEx spend in future periods

**2**

Improved working capital, increased inventory turns, extended DPO and improved DSO

**3**

Consistent free cash flow generation will de-leverage our balance sheet quickly over the next 18 months

**4**

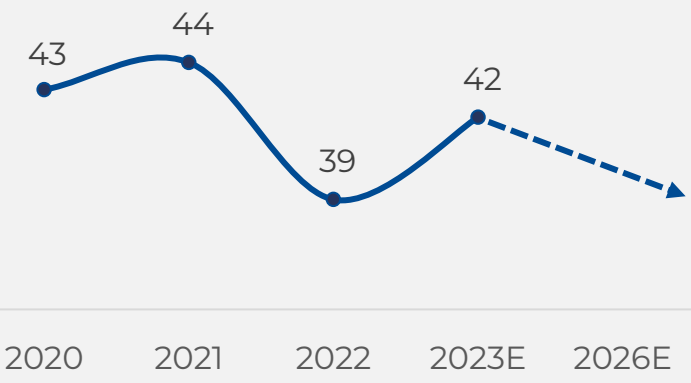
Strong free cash flow will allow deployment of our capital strategy of organic growth, M&A and stock re-purchases

(1) Free cash flow calculated as net cash provided by or used in operating activities less CapEx

# Working Capital Management

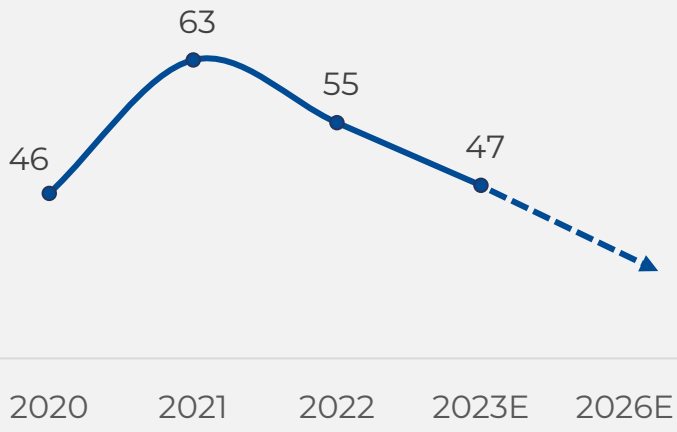
Improving free cash flow conversion by returning working capital utilization to pre-pandemic levels

## Days Sales Outstanding



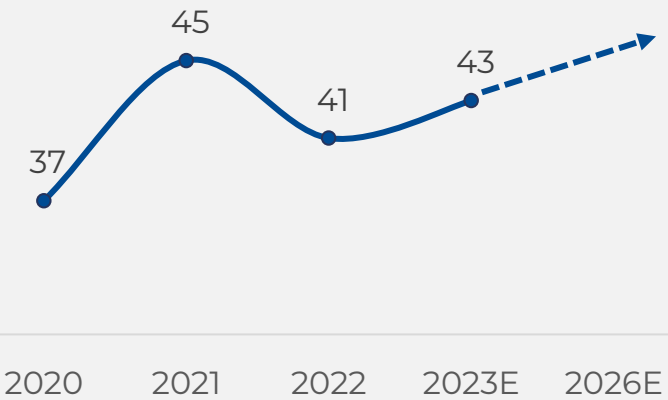

Since the pandemic we have seen a push by our customers to extend payment terms – we have repositioned and utilize customer supply chain programs when appropriate to get back to pre-pandemic collection cycles

## Days Sales of Inventory




Expect to get back to pre-pandemic levels by year-end as supply chain issues such as long lead times, material availability and customer production schedules stabilize, and continue to improve thru improved planning, production, and scheduling

## Days Payable Outstanding




Expanded use of credit card payment programs, ACH payments and purchasing Kaizens to extend and align payment terms across the company

# Disciplined Capital Deployment

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

## Balanced approach to capital allocation

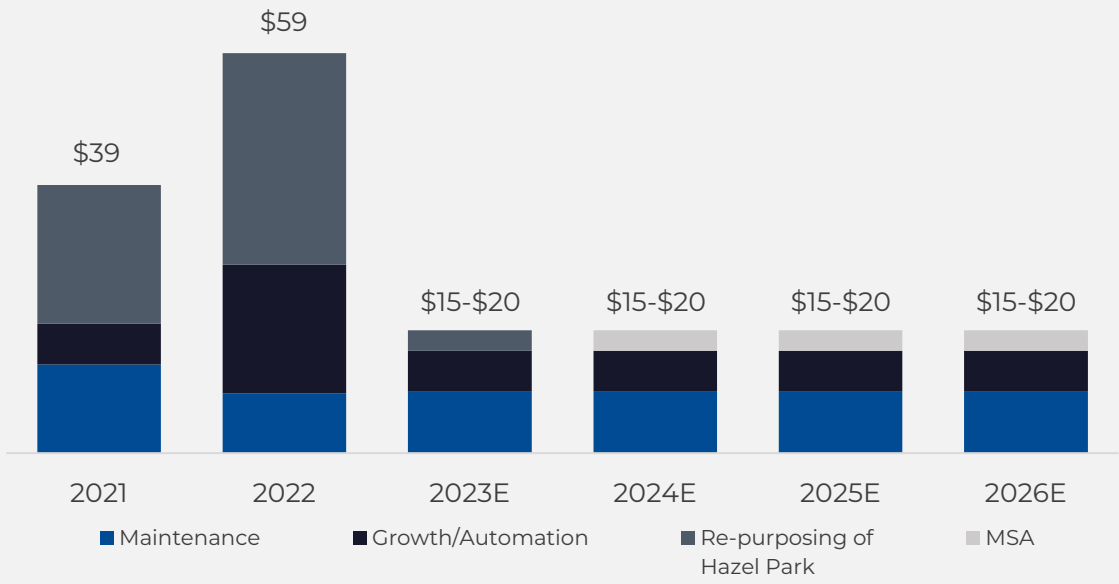
### Consistent Debt Paydown
- Pro-Forma net leverage of 2.7x post MSA acquisition
- Targeting leverage of 1.5x – 2.0x over the next 18 months

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

### Sustaining growth investments
Intend to reduce CAPEX by more than 50% to $15-$20M

### Return-of-capital program
- $17.6M remains on current $25M share repurchase authorization program
- Repurchased $3.6M of Company stock over last 12 months
- Evaluating additional, potential opportunities to return capital to shareholders

### Capital Expenditures
$'s in Millions




### Hazel Park Capital Expenditures
($'s in Millions)

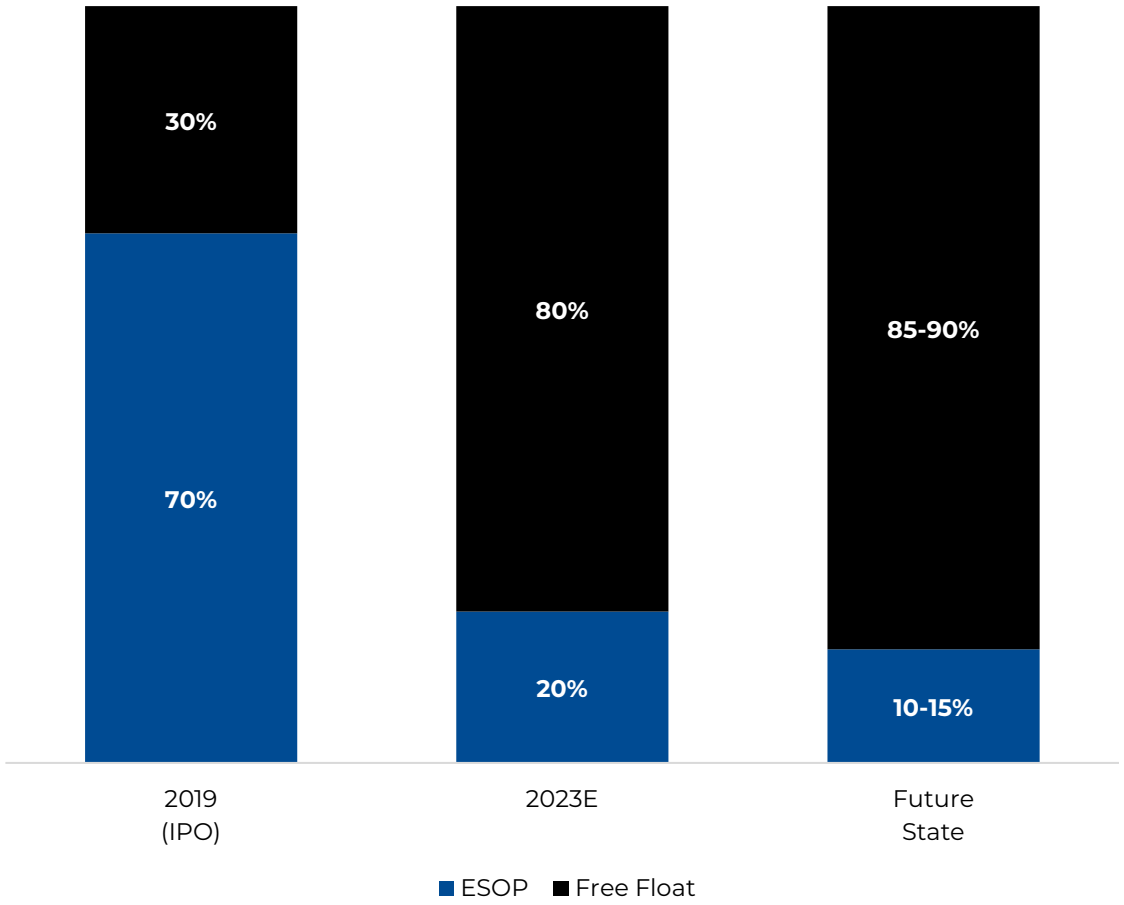
| FY21 | FY22 | FY23E |
|---|---|---|
| $20 | $31 | $2-4 |

# ESOP Plan & Float Improvement

Improving share availability while balancing employee strategic alignment

## Equity Ownership Composition

% of Shares Outstanding




- Total shares outstanding ~20.4M shares
- ESOP was established in 1985 after the exit of the Company's founder
- Overtime, the Company prioritized the allocation of cash toward growth instead of ESOP settlement which led to the IPO in 2019
- 2023 Plan amendment changed the distribution period from 5 years to 3 years, which released a one-time catch up of shares of ~ 1 million

# Shareholder Value Creation

2026 Financial Milestones [1]



| Revenue | Adj. EBITDA | FCF |
|---|---|---|
| **$750 - $850M** | **$105 - $135M** | **$65 - $75M** |
| 8% - 12% CAGR | 14% - 16% Margin | >$3.00 of FCF per share |

(1) Inclusive of Mid-States Aluminum

# Financial Growth & Shareholder Value Creation Summary & Key Messages

## Financial Growth Targets

| | |
|---|---|
| 1 | **Organic Growth Acceleration** |
| 2 | **Margin Expansion Thru Commercial and Operational Excellence** |
| 3 | **Driving Improved Free Cash Flow Generation** |
| 4 | **Maintaining a Strong Balance Sheet While Strategically Allocating Capital and Creating Shareholder Value** |

## Financial Growth & Shareholder Value Takeaway's

- Outsourcing, onshoring and MSA cross-selling opportunities fueling organic growth
- Operational and commercial excellence resulting in 300 – 400 bps of adjusted EBITDA margin expansion by 2026
- Completion of significant capex investment cycle now utilize and generate significant free cash flow for years ahead
- Strong free cash flow, de-leveraging balance sheet and deploying remaining capital aligning with our strategy creating maximum shareholder value

# Key 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

# Q&A



# Management Team

Seasoned management team with deep industry experience



**Jag A. Reddy**
President & CEO

- W.R Grace
- Pentair
- ITT/Xylem
- United Technologies
- Danaher Corporation
- Denso Corporation

**1+ yr** At MEC

**25+ yrs** Industry Experience



**Todd M. Butz**
Chief Financial Officer

- Mercury Marine (a Brunswick Company)
- Schenck Business Solutions

**15 yrs** At MEC

**25+ yrs** Industry Experience



**Rand P. Stille**
Chief Operating Officer

- Universal Logistics Holdings
- Shape Corp.
- Johnson Controls

**4 yrs** At MEC

**25+ yrs** Industry Experience



**Ryan F. Raber**
EVP, Strategy, Sales & Marketing

- Morton Metalcraft Co.

**14 yrs** At MEC

**15+ yrs** Industry Experience



**Sean P. Leuba**
SVP, Corporate Development & General Counsel

- Caterpillar Inc.
- Arnold & Porter

**<1 yr** At MEC

**25+ yrs** Industry Experience



**Rachele M. Lehr**
Chief Human Resources Officer

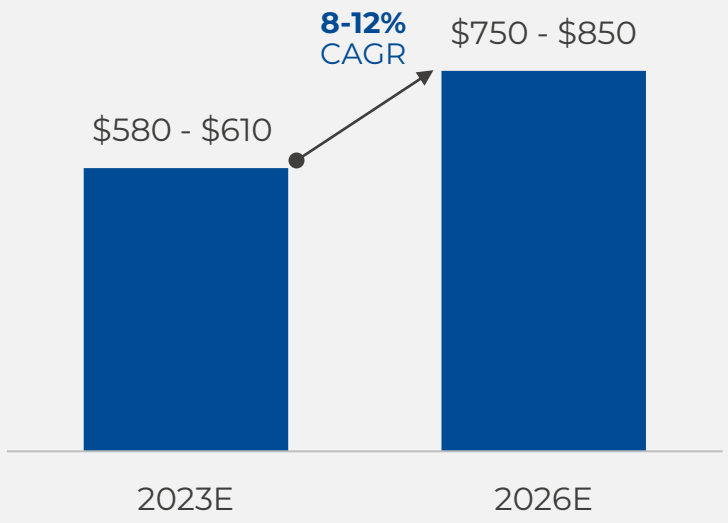
- Briggs & Stratton
- Bar-S Foods (A Sigma Company)
- Pricewaterhouse Coopers, LLP

**<1 yr** At MEC

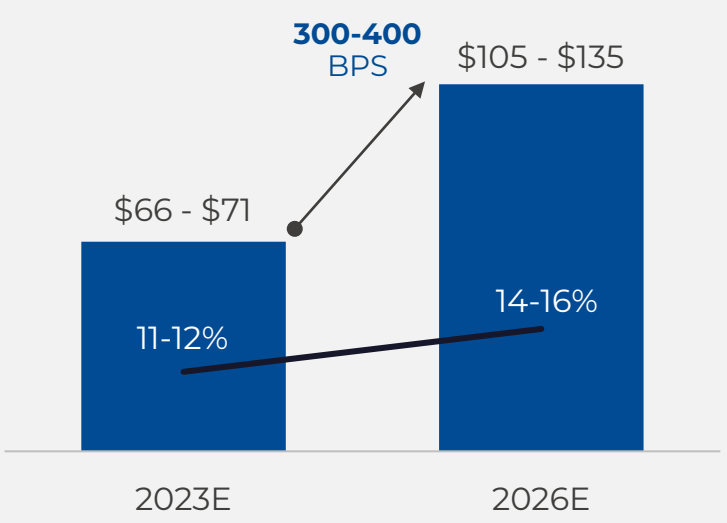
**15+ yrs** Industry Experience

# Value Creation Roadmap[1]

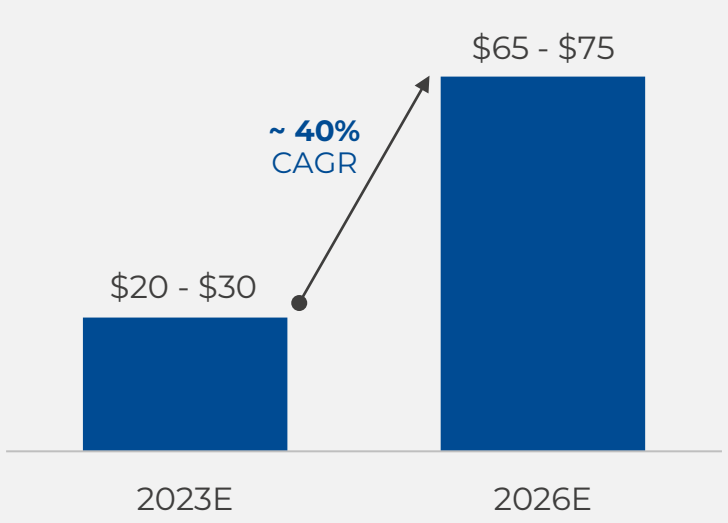
## Sales Performance
$s in Millions




## 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

# Non-GAAP Reconciliation of Adjusted EBITDA

| | | Full Year |
|---|---|---|
| ($MM) | | 2019 |
| Net income and comprehensive income | $ | (4.8) |
| Interest expense | | 6.7 |
| Provision for income taxes | | (4.1) |
| Depreciation and amortization | | 33.0 |
| **EBITDA** | **$** | **30.9** |
| Loss on extinguishment of debt | | 0.2 |
| Costs recognized on step-up of acquired inventory | | 0.4 |
| Contingent consideration revaluation | | (6.1) |
| Deferred compensation expense specific to IPO | | 10.2 |
| Long term incentive plan expense specific to IPO | | 9.9 |
| Other IPO and DMP acquisition related expense | | 5.7 |
| IPO stock based compensation expense | | 1.9 |
| Stock based compensation expense | | 1.6 |
| **Adjusted EBITDA** | **$** | **54.7** |
| Net sales | $ | 519.7 |
| EBITDA margin | | 5.9% |
| Adjusted EBITDA margin | | 10.5% |