

M&A TARGET DILIGENCE REPORT

TARGET COMPANY: STEELFAB MANUFACTURING

BUYER: INDUSTRIAL HOLDINGS GROUP

DEAL SIZE: \$320 MILLION

This report summarizes the key findings from the diligence process conducted for the proposed acquisition of SteelFab Manufacturing by Industrial Holdings Group, with a transaction value of \$320 million. The analysis is based on data derived from internal financials and corroborated by external third-party reports including Moody's and IBISWorld. A clean room approach was employed to ensure confidentiality and integrity of sensitive information, with redactions applied to customer names and supplier contracts.

FINANCIAL OVERVIEW

SteelFab Manufacturing reported a last twelve months (LTM) EBITDA of \$48 million. This figure has been adjusted to account for one-time costs to provide a more accurate reflection of sustainable earnings power. The company has demonstrated consistent profitability, supported by steady revenue streams within the manufacturing sector.

QUALITY OF EARNINGS

The quality of earnings assessment confirms that the adjusted EBITDA captures the company's normalized operating performance, excluding non-recurring expenses. This adjustment ensures the buyer has a realistic view of future earnings potential, critical for valuation and investment decisions.

KEY RISKS AND CONSIDERATIONS

Several risks have been identified that could impact the target's financial performance and operational stability:

- **Customer Concentration:** A significant portion of SteelFab's revenue is derived from a limited number of customers, exposing the company to potential volatility if any major client relationship is disrupted.
- **Pension Liabilities:** Existing pension obligations represent a material financial commitment. Proper evaluation of these liabilities is essential to understand their long-term impact on cash flow and balance sheet strength.

DUE DILIGENCE PROCESS AND DATA SOURCES

The diligence process utilized comprehensive data sources, combining internal financial statements with authoritative external analyses. Moody's provided insights into credit risk and market conditions, while IBISWorld's industry reports offered valuable context on sector dynamics and competitive positioning.

The clean room methodology guaranteed controlled access to sensitive information, maintaining confidentiality throughout the diligence process. Specific sections containing customer names and supplier contracts were redacted to protect proprietary business information.

CONCLUSION

The acquisition of SteelFab Manufacturing by Industrial Holdings Group offers promising opportunities, backed by solid recurring earnings and industry presence. However, the identified risks, particularly customer concentration and pension obligations, require strategic consideration and mitigate plans.

Proper risk management and integration planning will be essential to realize the full value of the transaction, ensuring alignment with Industrial Holdings Group's long-term business objectives.

Prepared by the M&A Diligence Team