PRECINMAC
Precision Machining

FAMILY OF PRECISION MACHINING COMPANIES

HOPPE TECHNOLOGIES | HPG | MMPCo MAINE MACHINE PRODUCTS COMPANY | TRIMASTER

Confidential
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2021-06-29 21:23:39 -0500

Date: December 11th, 2019
From: Eric Wisnefsky
Re: Capital Needs

Due to strong industry demand and performance credibility with our customers, we have a need for capital to support multiple major projects.

Maine Machine

We have signed a 2 year LTA with a third year option with Marvin Engineering to produce F135 (Defense) underwing parts. We have passed first article inspection and received our first purchase order against this LTA for $1.4 million. The LTA is worth $3.2 million a year (total $6.4 million). The raw materials are long lead time items and we expect full production to start in May 2020.

These 5 parts all go on 5-axis machines and require about 2,000 hours a month of machine time. Maine and Hoppe currently have 10 5-axis machines between them of which only 4 have the proper reach for these components and they can't handle the increase load. We need 2 5-axis machines to absorb this new work.

The expected margin per year is $1.8 million and the cost of the two machines is $1.8 million installed which gives us a one year payback.

We are also quoting more parts for the same program and because we want to continue to demonstrate success we are controlling the rate for winning new part numbers.

One machine is available and one machine can be delivered in the June / July time frame.

We seek board approval for the purchase of these 2 Matsuura 72 5 – axis machines.

HPG

We have been approached by Blade Technologies (BTL) which is the sister company of PCI to produce PW800 blades (Pratt & Whitney Canada) which is a program for engines that support Gulfstream airplanes (Commercial Aerospace).

BTL has a capacity issue which they are looking for a company that uses similar 5-axis blade machines (CB Ferraris) so they can hand over programming and fixtures to give a turn-key solution to a supplier and thus produce as quickly as possible.

We have discussed a multi-year commitment, but BTL won't issue a PO for more than 12 months because that it the commitment they have from their customer.

Our current CB Ferrari machines are full running F100 parts. Our strategy would be to purchase 2 new CB Ferrari/or Liechtie machines (no price difference) and 1 CMM inspection machine. Liechtie are available in stock delivery in 2-3 weeks, CB Ferrari are available for shipping in March delivered in April up and running in the first half of May. Equipment will be selected after PO will be placed and development timeline agreed with the customer.

The customer would provide forgings, fixtures, programs, and tooling. Our process would be machining and inspection. We have developed pricing that would cover the cost of the capital.

This project has sales of $1.6 million, CM of $1.4 million and equipment cost of $1.4 million for a payback of 1 year.

BTL is larger than PCI and there are many more opportunities. This is a great project to establish the relationship.

We are seeking board approval for the purchase of 2 5-axis CB Ferrari Machines and 1 CMM with the purchase order from BTL.

Trimaster / HPG

PCI has indicated verbally they want us to go from 8,500 GTF singlets per month to 14,000 GTF singlets per month. This has a value of $6.6 million of revenue. We would need 4 additional 4 axis machines to support at an investment of $1.1 million. This would also support moving the Stage 6 singlets from Maine to Trimaster as Maine needs capacity for Stage 7. The payback would be < 6 months.

We already have GenNx360 board approval for the purchase of these machines upon receipt of the purchase order (discussed in September board meeting)

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Other Significant Opportunities

GE Aviation – We quoted over $130 million of airfoils with the communication that GE would be reviewing quotes in October. We have had two meetings. The first meeting was at their Bromont facility in Montreal. We have opportunities to quote on NPI. This facility works very closely with corporate and last week we had a meeting if Evandale with the person who is leading the efforts on outsourcing. They are very impressed with our capabilities and they do have a need. Her boss wants her to start outsourcing parts by Q1 of 2020 and she wants to do a more thorough analysis and start in Q2 of 2020. We talked about starting quickly on a few part numbers as they have 162 part #s to outsource. In any event, we will need capital equipment to support.

Honeywell – We met with Honeywell and have confirmed they need help with their AGT1500 program (airfoils for Abrams Tank). They have a capacity issue and we are quoting 9 part #s for a 5 year commitment. The total package is worth $15 million annually. We will need capital equipment to support the onboarding of these parts.

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