

*Prepared by The Folk Group. This may be reprinted with attribution. Updated May, 2010.*

The market for selling your company varies depending on many factors. These factors include, among others, the markets you are in, the metals you cast, the size of your company, the profitability, special skills or proprietary products or where you are located.

The market is starting to shift with some segments going from a buyer's market to a seller's market.

There is always interest in profitable companies. Larger companies are easier to sell than smaller companies. Right now, anything that hints of automotive is of lesser (or no) interest. Here's what we see by metal.

With the economy starting to show signs of stable and continued growth, investment fund backed strategic buyers are beginning to actively look for investments. There are buyers, some of them very good buyers, but they are being very specific about what they want. There are still a lot of vulture buyers. If you are definitely closing, a number of buyers will pay a commission for your book of business. With companies seeking to fill capacity, some are paying more than they typically did in the past for the book of business.

## **Aluminum**

The overall market for selling aluminum casting companies is becoming stronger. This is a good time to buy. There have been a number of companies closing so when the volume returns, there will be shortages. However, it is not too difficult or expensive to add capacity so look for the shortages to be resolved in a relatively short time.

**SAND CASTING** – some interest on the part of buyers depending on the market served. Profitable is more of interest. This is transitioning from a buyer's market to a seller's market. There is one very qualified buyer looking to buy aerospace aluminum casting with sales up to \$50 million, profitable preferred but unprofitable will be considered.

**DIE CASTING** – This is shifting quickly from a buyer's market to a seller's market. We are seeing a number of buyers interested in acquiring not only the book of work but entire companies. There is still a good deal of excess capacity but forward thinking buyers see that filling in the next twelve months. A large quantity of die casting capacity has been closed. There is one very qualified buyer seeking a profitable or unprofitable die caster with smaller machines – 500 tons and down and has work to put in. We are also in touch with two Indian companies currently seeking backup capacity in the U.S. When the truck market returns, there is a very qualified off shore buyer who will be back looking for larger machines.

**PERMANENT MOLD** – Again, a buyer's market. This segment is very heavily dedicated to automotive so there is a lot of open capacity.

## **Iron**

Ductile is a strongly preferred over gray although we are not sure why. Gray is a very large market that is not going away. The profit margins of ductile over gray have slid over the years to where the margin is little more than the added metal costs. Sellers are best off if they can produce both gray and ductile iron or can easily add ductile capabilities. This is a market we are definitely seeing shift to a seller's market – if – you have sales in excess of \$15 million producing castings in volume under 100 pounds. Over 1.1 million tons of this capacity

has been liquidated. Even though there is still a substantial amount of excess capacity available buyers with a longer view point see a shortage of capacity coming. It takes a long time and is very expensive to add capacity in iron. There is one very qualified buyer actively seeking ductile iron, non-automotive with more than \$30 million sales, profitable strongly preferred.

**NO-BAKE AND NON-AUTOMATED** – Not a lot of activity except in very large castings (over 30,000 pounds). Large casting capacity exists today but there are buyers who know it is limited and will buy. There are speculative buyers who are betting that a return of wind energy will fill the available capacity.

**HORIZONTAL AUTOMATED** – Starting to shift from a buyer's to a seller's market. Since this tends to be non-automotive, the marketability of a company depends on its profitability. Competition from Disa foundries trying to upgrade customers is putting price pressures on this market. We have been contacted by a casting importer seeking to acquire a foundry in this category to back up Chinese/Indian sources.

**VERTICALLY PARTED** – This is shifting from a buyer's to a seller's market, especially for ductile iron. This is where most of the capacity has been lost. It won't take a lot of growth to fill the available capacity. When that happens, foundries will have pricing power for two to three years until capacity catches up to demand. There is immediate interest in any foundry with large format Disa's – 2070 class. There is limited capacity in this size range.

## Steel

The overall market for steel foundries is soft. However, there have not been many plant closings so capacity is available.

**CARBON STEEL** – Still a buyer's market. With the biggest market in Class 8 truck and rail, the foundries are very slow right now but getting busier. There is a lot of excess capacity but we have not been seeing closings. When the market returns, it appears there will be enough capacity. Seller's with limited exposure to truck or rail markets are in a stronger position.

**ALLOY STEEL** – Alloy steel is a buyer's market but much less so than carbon steel. The markets served have not suffered as much as the carbon steel market.

**INVESTMENT CASTING** – Also a buyer's market. This is a more limited market. Business is soft but not as bad as some other sectors.

## Other Metals

The market for companies that cast other metals varies from very weak to marginal. Again, this is a buyer's market.

**MAGNESIUM** – The interest in companies that produce magnesium castings is relatively limited for two reasons. First, a lot of the work is for automotive. Second, the ingot costs have climbed and not returned. As a consequence, some castings are reverting to aluminum. We know of a few advanced die casting companies that are designing their tools to go back and forth between the metals. Weak market for sellers unless the price of alloy drops.

**ZINC** – Very weak market for sellers. A lot of zinc is die casting attached to aluminum casting. Don't look for this to return for some time. China has really hurt this market.

**BRASS AND BRONZE** – The market for brass and bronze foundries have been weak for a long time. There is excess capacity and has been for a long time. We are aware of several buyers looking for consolidation opportunities. One will buy the entire company, not just the work.

### Contact Us

If you are thinking of buying or selling a metal casting facility, call us. We can provide you with some insights on a confidential basis.

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