

## Precision Castparts to Acquire SPS Technologies for 0.69 Times Revenue

**The Deal:** Precision Castparts Corp. has agreed to acquire SPS Technologies Inc. for about \$575 million in cash and stock. Terms of the deal call for Precision to pay \$43 in cash or 1.36 shares for each share of SPS held. Shareholders can choose cash or stock. Based on the rough mix of half cash and half stock, the deal values SPS shares at \$43.78 each. Precision will also assume certain SPS debt, bringing the total value of the deal to \$729 million. The transaction, which has been approved by the boards of both companies, is expected to close in the fourth quarter of 2003.

**Discussion:** SPS Technologies manufactures precision fasteners for aerospace assemblies, autos, and construction equipment. The company also makes metalworking tools, metallic and ceramic magnets, and ultra thin foil. The company sells directly to original equipment manufacturers and government agencies.

Precision Castparts makes investment castings used in aerospace and power generation applications. Company products include jet engine parts, fluid management valves, and deep-hole boring tools. The aerospace markets accounts for over half the company's sales.

Precision expects to realize cost savings of about \$20 million to \$25 million in the first 12 to 15 months after the deal closes,

and \$30 million to \$35 million annually after that. The deal is part of a Precision Castparts strategy to diversify beyond the aerospace market.

TRANSACTION VALUES (All Figures in U.S. \$)						
Price For 100% of Common Stock		Purchase Price Multiples				
(mil.)	Price per Share	Earn.	Rev.	NW	EBITDA	Assets
\$575.0	\$43.78	94.26	0.69	1.66	9.93	0.68
100% Stock+Total Debt		Purchase Price Multiples				
(mil.)	Price per Share	Earn.	Rev.	NW	EBITDA	Assets
\$1,060.0	\$80.92	173.77	1.28	3.06	18.31	1.25

Seller: SPS Technologies		Buyer: Precision Castparts	
3462	SIC No.	3324	
NYSE	Stock Exchange	NYSE	
ST	Symbol	PCP	
\$43.78	Acquisition Stock Price	\$32.77	
\$29.96	Stock Price One Month Ago	\$32.63	
13.1	Common Shares Outstand. (mil.)	52.9	
\$575.0	Stock Market Valuation (mil.)	\$1,733.5	
Valuation Ratios			
0.69	P/S	0.82	
94.26	P/E	13.95	
1.66	P/NW	1.63	
9.93	P/EBITDA	5.00	
0.68	P/ASSETS	0.69	
\$6,568.63	Value of \$10,000 Invested Five Yrs. Ago	\$11,458.33	
Common Stock Ownership			
5.2%	Controlled by Officers	1.7%	
63%	% Institutional Ownership	79%	
218	No. of Institutional Owners	501	
52.37	12 Mo. Trailing P/E	11.43	
\$830.3	Revenue (mil.)	\$2,117.2	
\$6.1	Net Profit (mil.)	\$124.3	
0.7%	Net Profit %	5.9%	
\$346.9	Net Worth (mil.)	\$1,061.7	
1.8%	% Return on Equity	11.7%	
3.6%	Depreciation Expense	1.0%	
2.5%	Capital Spending as % of Revenue	7.6%	
5,860	No. of Employees	13,800	
\$141,689.42	Revenue per Employee	\$153,420.29	
\$1,040.96	Net Profit per Employee	\$9,007.25	
Gamco Investors	Largest Institutional Shareholder	Barclays Bank	
25.05%		7.88%	
Jenkintown, PA	Company Headquarters	Portland, OR	
Related Transactions			
Seller	Buyer	P/E	P/S
Advanced Tech. Products	General Dynamics	23.21	0.99
Foilmark Inc.	Illinois Tool Works	15.46	0.81
		6.39	9.53
		2.01	5.64

**Seller: SPS Technologies, Inc. - Precision fasteners for aerospace assemblies, autos, and construction equipment**

OPERATING DATA									
Year	Revenue	Net After-Tax Profit		Net Worth	EBITDA		Earn. per Share	Tangible Bk. Value per Share	Stock Price Range
12/31	\$mil.	\$mil.	%	\$mil.	\$mil.	%	\$	\$	\$
'02	830.3	6.1	0.7	346.9	57.9	6.7	0.46	26.66	21 - 46
'01	918.1	21.6	2.3	352.7	89.0	9.7	1.63	26.90	28 - 55
'00	872.7	44.4	5.1	344.9	121.7	13.9	3.42	26.98	30 - 56
'99	787.7	51.2	6.5	305.0	122.9	15.6	3.95	24.17	28 - 57
'98	716.6	44.6	6.2	266.8	106.8	14.9	3.42	21.02	37 - 65

BALANCE SHEET (\$mil.)			
Assets (FY 12/31)	6/30/03	2002	2001
Cash Assets & Equiv.	68.6	76.0	59.9
Receivables	140.0	119.9	129.7
Inventory and Other	192.7	194.0	203.7
Current Assets	401.3	389.9	393.3
Total Assets	851.3	838.6	850.8
<b>Liabilities</b>			
Current Liabilities	153.8	158.0	170.0
Total Debt	485.0	491.7	498.1
Net Worth	366.3	346.9	352.7
Total Liab.+ Net Worth	851.3	838.6	850.8

**Buyer: Precision Castparts Corp. - Steel and non-ferrous casting**

OPERATING DATA									
Year	Revenue	Net After-Tax Profit		Net Worth	EBITDA		Earn. per Share	Tangible Bk. Value per Share	Stock Price Range
3/31	\$mil.	\$mil.	%	\$mil.	\$mil.	%	\$	\$	\$
'03	2,117.2	124.3	5.9	1,061.7	346.6	16.4	2.35	20.12	17 - 38
'02	2,495.7	42.4	1.7	951.8	303.8	12.2	0.81	18.25	18 - 50
'01	2,268.5	124.9	5.5	901.8	390.2	17.2	2.45	17.56	18 - 46
'99	1,617.0	85.3	5.3	773.9	259.9	16.1	1.74	15.70	12 - 24
'98	1,398.6	103.3	7.4	697.4	232.5	16.6	2.11	14.25	16 - 32

BALANCE SHEET (\$mil.)			
Assets (FY 3/31)	6/30/03	2003	2002
Cash Assets & Equiv.	35.0	28.7	38.1
Receivables	314.6	356.9	352.3
Inventory and Other	454.0	400.3	488.1
Current Assets	803.6	785.9	878.5
Total Assets	2,494.5	2,476.2	2,564.9
<b>Liabilities</b>			
Current Liabilities	605.4	624.8	727.1
Total Debt	1,381.7	1,414.5	1,613.1
Net Worth	1,112.8	1,061.7	951.8
Total Liab.+ Net Worth	2,494.5	2,476.2	2,564.9