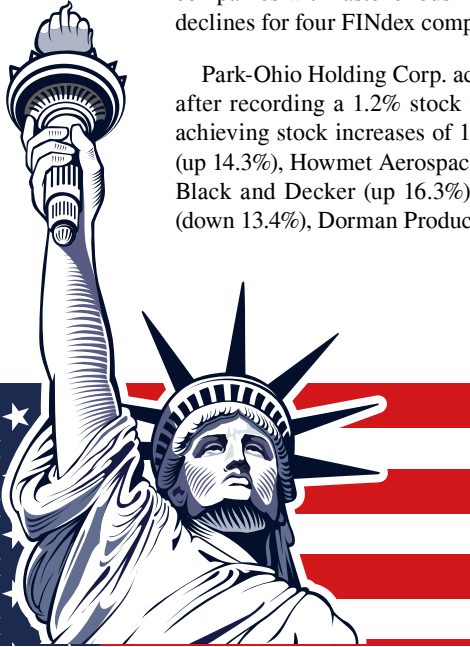


## FINdex Gains Continue in Second Quarter

The FIN Fastener Stock Index continued its growth in the second quarter of 2023, rising 6.1% compared to a 5.2% gain by an index of industrial stocks. Double-digit gains were widespread among public companies with fastener businesses in Q2 despite an uneven economic performance that caused share value declines for four FINdex companies.

Park-Ohio Holding Corp. achieved the highest percentage gain during Q2, rising 58.3% during the period after recording a 1.2% stock value decline in the opening quarter of the year. Other FINdex companies achieving stock increases of 10% or more during Q2 included Carpenter Technology (up 25.4%), Grainger (up 14.3%), Howmet Aerospace (up 17%), MSC Industrial (up 13.1%), Simpson Mfg. (up 26.3%) and Stanley Black and Decker (up 16.3%). FINdex companies losing share value during Q2 included Chicago Rivet (down 13.4%), Dorman Products (down 8.6%), Tree Island Steel (down 1.9%) and TriMas Corp. (down 1.3%).

During the first six months of 2023, the FINdex grew 24.2%, more than doubling gains by an index of related industrial stocks. Three FINdex companies achieved 50% or more in share increases during the period. Simpson Mfg. topped the list with a 56.2% gain in stock price during the period, followed by Park Ohio (up 55.3%) and Carpenter Technology (up 52%)



## Dr. Ruetz: Only 10% of Family Firms Survive To 3rd Generation

Few family businesses succeed in succession, Dr. Jim Ruetz told the National Fastener Distributors Association. Only 30% carry on to the second generation and 10% to third generation. “Leadership passion” is the key to succession, Ruetz said he found in his doctoral dissertation research.

Ruetz, who started in the fastener industry 45+ years ago with his family’s All Fasteners, retired in 2019 to seek a PhD in business administration from Oklahoma State University. Wisconsin-based All Tool Sales / All Fasteners became All Integrated Solutions and in 2018 was sold to MSC Industrial Supply. The key to succession is “family leadership passion” and family involvement, Ruetz told the NFDA. All Fasteners was a multi-generation family business and his generation involved five siblings. There are non-economic factors in business succession, such as “the family name on the building,” Ruetz noted.

Ruetz received responses from 118 companies, including 33 held by private equity. In his survey Ruetz found culture to be the top factor in succession, followed by generational experience. “Family businesses tend to have a stronger culture,” Ruetz said. “There is more at stake.” Family members have “signed on to more than a paycheck.”

Family culture is followed by generational active directors, ownership of shares, percent of company shares owned by family and participation on the company board by family. Private equity investors want to see passion, family culture and board participation, Ruetz said. “Culture and leadership are paramount” and “significant in driving succession interest.”

Before his doctorate, Ruetz experienced the vetting as eight potential buyers visited All Fasteners. The visits included going out to dinner, which was primarily the potential buyer measuring passion. Preparing to sell your company? “Focus on creating a culture of success,” Ruetz advised. “Separate business and family decisions. Develop a functional board.” Investors want a firm built for growth, passionate leadership, management and generational knowledge plus the family and business cultures “in sync.” The age of the CEO is a factor in succession. Ultimately, Ruetz advised “starting early” in succession planning. It shouldn’t be the CEO saying, “When I’m dead you can figure that out.”

A majority of companies participating in his survey were family owned and ranged from \$4 million in annual sales to over \$500 million, averaging \$30 million. Ruetz previously earned his bachelor’s degree from the University of Wisconsin and MBA from University of Chicago. Ruetz was the 2001 NFDA president and was named NFDA’s Fastener Professional of the Year for 2018.



## Economist Tells NFDA: Post-Covid Let-Down Appears to Be Soft Landing

Yes, the U.S. economy is headed toward a recession, but “we can have a soft landing,” economist Patrick Lucas of ACI Economics told the National Fastener Distributors Association. One might expect a crash upon coming down from the “sugar rush” of massive government Covid spending, but the U.S. economy is going to be “more like a nap,” Lucas predicted. The U.S. economy is “headed toward normalization.”

Growth will be slow this year and “negative next year,” Lucas forecast. Expect margins to erode. To prepare for a slower economy, Lucas advised NFDA members at the association’s 2023 annual meeting to “lose the losers” among product lines. “Scale back,” he said. “Know what is driving your business.” Where are backlogs? Where are possible order cancellations? Budget for lower inventory. “Focus on ‘buy low, sell high,’” Lucas advised. Grow your share of the market and emphasize competitive advantages. Also “focus on talent retention” for growth in 2025. Inflation is “starting to ease,” ITR finds. “Federal Reserve tools take a long time to work,” Lucas explained. Producer prices are “flattening out” and steel scrap prices are declining, he noted.

The automotive industry is still recovering from supply chain problems which slowed production post-Covid, Lucas noted. There are “favorable trends in utilities,” he pointed out. However, new machinery orders will be down 3% in 2024, he predicted. Economists are watching Federal Reserve interest rate actions for clues. “Higher interest rates drag down the economy,” Lucas said. There is “angst” among those who went through the “Great Recession of 2008,” but Lucas termed the next “more mild.” ITR has pushed-back its forecast of a full-fledged depression from the late 2020s to a 2030 / 2036 period. Contributing factors include demographics, health care costs of an aging population, entitlements, inflation and the U.S. national debt. Lucas advised having cash available at the end of the decade.

The U.S. totals 25.4% of the world GDP, followed by China at 18.1%; Japan 4.2% and Germany 4.1%. Countries with higher economic potential include India and Mexico, which have younger populations, Lucas said. Factors boosting the U.S. include a strong infrastructure and political stability.

- Incomes “are doing ‘okay’ now,” ITR finds. Credit card debt is low. Company delinquencies and bankruptcies are low. Liquid assets are up.
- China is “becoming more of a problem going forward with mounting risks.” Conversely, Russia is “hallowed out,” Lucas said.
- U.S. nationalism presents “new business opportunities” with ‘Made in America’ products.
- Best chance to get loans when banks are tightening credit? Loans for investments in efficiency, Lucas said.
- The labor market traditionally lags the economy. Today unemployment is the lowest in 21 years.

The U.S. Infrastructure law is ramping up spending on roads and bridges, railroads, public transit, road safety PODs. The law will buffer other declines.

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## NFDA Panelists: 2022 Record Sales; Some Numbers Slipping This Year

Sales are strong even if off from 2022 records, but the elephant in the room is inventory, State of the Industry panelists told the National Fastener Distributors Association annual meeting. Lead times are starting to come down, panelist Dave Monti of Fall River Manufacturing Co. Inc., told the NFDA. Record 2022 sales topped “two years of unusually large lead times,” Monti said. Now lead times are starting to come down.

Part of that is staffing. “A year and a half ago, we couldn’t hire,” Monti said. About six months ago the labor supply turned around and today Fall River is fully staffed. Fall River raised wages for its 67 employees. However, Monti credits company culture for employees staying. Randy Hrdlicka, purchasing manager for master distributor LindFast Solutions Group, said they have also raised wages, but agreed that the team also “appreciates being appreciated.” Hrdlicka said the fastener industry is still feeling the residual from Covid. After the post-Covid sales boom, there have been “small drops per month since April,” Hrdlicka said. But is inventory a problem? Cory Wing of Wing-Hamlin Co., a manufacturers rep firm, asked. After the shortages, are distributors padding forecasts? “People have short memories,” Wing commented.

Ed Smith, director of sourcing for distributor Wurth Revcar Fasteners, said 2022 was record breaking fastener sales. Now customers are beginning to have time to look at domestic suppliers. “Buyers want more face-to-face time” and multiple approved sources, Smith said he finds. There is more price shopping. “The shelves are full,” Smith said. Important for steady supply is suppliers, distributors and customers “communicating and forecasting,” Hrdlicka said. A key number to forecasting prices are the steel costs from Taiwan’s China Steel, Hrdlicka said. There are “slight declines” in the metals markets, Hrdlicka noted. Other markets tend to be close to China Steel’s numbers. Monti termed domestic fasteners as an “opportunity.” “We are seeing domestic sourcing up,” Monti said. In addition to the actual fasteners, buyers are wanting domestic certifications, he added.

Smith said there is more talk about fasteners coming from India. Turkey and Poland are also increasing fastener manufacturing, especially for Europe. Buyers want less product from Asia, Smith said. “Our customers are splitting contingency plans.” Differentiating yourself as a supplier is important, Wing said. “Value-added is popular now.” Monti advised spending time training now. “It doesn’t help with current cost, but puts you in a better position for an uptick,” Monti said.



### Würth Additive CEO Joining Global Task Force

Würth Additive Group CEO AJ Strandquist will join the internationally-recognized 3D Printing in Auto Collision Task Force. In April, IBIS Worldwide announced its launch of an industry-first group led by Harold Sears, who worked for Ford Motor 3D Printing Solutions for over two decades. The task force is a collaborative initiative comprising industry leaders, experts and organizations dedicated to advancing the integration of 3D printing technology within the automotive collision repair industry. The task force aims to facilitate knowledge sharing, develop standards and provide educational resources to empower collision repair professionals to embrace and leverage 3D printing for improved repair processes and enhanced outcomes.



### IFI Starting Industry-Recognized Apprenticeship Program

The Industrial Fasteners Institute (IFI), Independence, OH, USA, is starting the development of a new apprenticeship program for machine operators that will be recognized by the U.S. Department of Labor. This program aims to address the issue of workforce shortage in the fastener manufacturing industry. With an increasing number of skilled machine operators retiring, the need to transfer their knowledge and expertise to the next generation is critical. IFI has partnered on the program with the Marshall University Advanced Manufacturing Center (MAMC), in West Virginia. The MAMC is well versed in developing apprenticeship programs, having successfully written and implemented multiple such programs in use across the country today.

Under the leadership of IFI Chairman, Gene Simpson of Semblex Corporation, the development of this program represents a significant collaborative effort. Simpson said, “An initiative as important as this needs to be driven by a group like the IFI. Many companies have their own programs that work well, but these are individual efforts with a heavy burden and mixed results. By leveraging IFI’s collective knowledge and resources with the help of the MAMC, the goal is to create a program that will create consistency and results for use by the entire industry.”

Unlike IFI’s current member training program, consisting mainly of webinars and day-long instructor-led training, the new apprenticeship program will provide a comprehensive framework for training machine operators. It will involve hands-on training in a company’s own facility, utilizing their equipment and personnel as mentors for the apprentices. The program will also incorporate on-line, self-paced learning modules through a partnership with IFI and the Workforce on-line training system.







Connective Systems & Supply

## SFS Extends Market Presence in North American; Acquires CSS

On July 1, 2023, the SFS Group acquired the part of the business concerning fasteners and other products of Connective Systems & Supply, Inc. (CSS). This business area of CSS generated sales of US\$15 million in 2022. The acquisition enables SFS to strengthen its market position in the United States in the fast-growing region surrounding Denver, CO, USA. Since it was founded in 1985, CSS has become a key partner for fasteners and other products for end users in the construction industry in the state of Colorado. The company employs 20 people in the acquired business area at two sites in the region surrounding Denver. -In organizational terms, the business will be incorporated into the SFS Group’s Triangle Fastener Corporation (TFC), which is part of the SFS Group. With 25 distribution sites in the USA, TFC acts as a supplier of fastening systems and other products for end users in the construction industry. Within the SFS Group, TFC is part of the Construction division in the Fastening Systems segment. The local presence that CSS has will remain, and all 20 employees in the business area will be taken on. The current managers will remain in post at both sites.


## MWFA Names Francesca Lewis Executive Director

The Mid-West Fastener Association (MWFA), Lake Zurich, IL, USA, has named Francesca Lewis, as Executive Director, effective July 1, 2023. Francesca’s exemplary communication and leadership skills will assist in MWFA’s continued growth and success. With an impressive career spanning over 20 years, Lewis has thrived in sales and account management. Her strong work ethic, communication skills and remarkable ability to build/maintain relationships have supported her professional success. Through her expertise and dedication, she has consistently delivered outstanding results and fostered long-term partnerships with clients. Her experience in event planning, growth and development of education and client relationships will well serve the MWFA.


Francesca is excited about her new role, “I can’t contain my excitement. This opportunity has me buzzing with anticipation and a sense of adventure. I’m ready to hit the ground running and make a positive impact.”



Francesca is a dedicated business professional with a passion for fitness and a love for family. Born and raised in the Chicago, IL, USA, suburbs, she embarked on her educational journey at Oakton Community College, where she studied business. Eager to expand her knowledge and skills, she later pursued her studies at DePaul’s School for New Learning (SNL) in downtown Chicago.



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