



## **Kennametal to Acquire ATI's Tungsten Materials Business for \$605 Million**

September 16, 2013

- Aligns with company's long-term growth strategies
- Expands presence in aerospace and energy end markets; further augments tooling portfolio
- Accelerates plans for advanced tungsten carbide facility; reduces planned capital expenditures by an estimated \$30-\$35 million
- Significant cost synergies estimated to be \$30 to \$40 million on annual basis; cash tax benefits ranging from \$60 to \$70 million

LATROBE, Pa., Sept. 16, 2013 /PRNewswire/ -- Kennametal Inc. (NYSE: KMT) announced today that it has signed a definitive agreement to acquire the Tungsten Materials Business of Allegheny Technologies Incorporated (NYSE:ATI) for \$605 million. ATI's Tungsten Materials Business, with approximately \$340 million in annual sales, is a leading producer of tungsten metallurgical powders, as well as tooling technologies and components. The business has approximately 1,175 employees across 14 operating facilities globally and consists of two market-leading divisions: ATI Firth Sterling and ATI Stellram. The transaction has been approved by both companies' boards of directors and is expected to close before the end of the calendar year, subject to customary regulatory approvals and closing conditions.

"ATI's Tungsten Materials Business brings vital strategic assets that are an excellent complement to Kennametal, especially given our common focus on operational excellence and industry-leading material science," said Kennametal Chairman, President and CEO Carlos Cardoso. "The addition of the expanded material and tooling technologies of ATI's Tungsten Materials Business will enable us to offer more to our customers around the world. We look forward to building on our respective strengths to accelerate growth while generating even greater value for our business and ultimately our shareholders."

This acquisition is aligned with Kennametal's growth strategy and positions the company to further diversify its portfolio. The company expects to capitalize on the material technology capabilities, engineered components and world-class tooling products of ATI's Tungsten Materials Business to expand its presence in the aerospace and energy markets.

The acquisition will advance Kennametal's core strategy that seeks to diversify the company's tungsten sourcing to balance supplies, costs and access to raw materials, including those produced from recycled products. The ability of ATI's Tungsten Materials Business to produce critical materials from recovered tooling and scrap will enhance Kennametal's material sourcing and development capabilities to support the company's growth initiatives. The acquisition accelerates Kennametal's previously announced plans to expand capacity and develop an advanced tungsten carbide recycling facility in the United States to serve global markets. The company also estimates that this will reduce planned capital expenditures by approximately \$30 million to \$35 million and expects to achieve economy of scale six to eight years earlier than prior projections.

In addition, the acquisition will further augment Kennametal's tooling portfolio in the areas of metal cutting and metal finishing technologies, through brands such as Stellram Products, Garryson Products and Landis Products.

The acquisition is expected to generate significant synergies. The company forecasts potential annual run-rate cost synergies ranging from \$30 million to \$40 million, which it anticipates will be realized via productivity improvements, operational efficiencies and raw-material cost benefits. Kennametal also plans to pursue revenue synergies by extending the sales of ATI's Tungsten Materials Business globally through its existing sales channels, while building further on its strategic talent and technologies.

The transaction is structured as both an asset and stock purchase with Kennametal benefiting from the "step-up" in the tax basis of the acquired assets and the resulting tax deduction. Management estimates the cash tax benefit of the step-up to have a net present value of approximately \$60 million to \$70 million.

Kennametal plans to fund the acquisition through a combination of cash on hand and available borrowings under its existing revolving credit facility. The company expects the acquisition to be neutral to earnings for the remainder of its fiscal year 2014. Adjusted for the estimated annual run-rate synergies and tax asset, the implied acquisition multiple represents approximately 7.2x EBITDA based on historical earnings.

J.P. Morgan Securities LLC acted as exclusive financial advisor to Kennametal on the transaction.

### **Webcast**

Kennametal will discuss the transaction in a live webcast at 8:30 a.m. Eastern Time today. The related slides and audio replays of the event will be available on the company's website, [www.kennametal.com](http://www.kennametal.com), through October 16, 2013. Once on the homepage, select "About Us", "Investor Relations" and then "Events."

*Certain statements in this presentation may be forward-looking in nature, or "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not relate strictly to historical or current facts. For example, statements about the timing of consummation of the transaction, statements about Kennametal's outlook for earnings, and expectations regarding future growth are forward-looking statements. Any forward-looking statements are based on current knowledge, expectations and estimates that involve inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should the assumptions underlying the forward-looking statements prove incorrect, our actual results could vary materially from our current expectations. There are a number of factors that could cause our actual results to differ from those indicated in the forward-looking statements. They include: the failure of any conditions to consummation of the transaction not being satisfied or waived; economic recession; availability and cost of the raw materials we use*

*to manufacture our products; our foreign operations and international markets, such as currency exchange rates, different regulatory environments, trade barriers, exchange controls, and social and political instability; changes in the regulatory environment in which we operate, including environmental, health and safety regulations; our ability to protect and defend our intellectual property; competition; our ability to retain our management and employees; demands on management resources; demand for and market acceptance of our products; potential claims relating to our products; integrating acquisitions and achieving the expected savings and synergies; business divestitures; and implementation of environmental remediation matters. Many of these risks are more fully described in Kennametal's latest annual report on Form 10-K and its other periodic filings with the Securities and Exchange Commission. We undertake no obligation to release publicly any revisions to forward-looking statements as a result of future events or developments.*

Celebrating its 75<sup>th</sup> year as an industrial technology leader, Kennametal Inc. delivers productivity to customers seeking peak performance in demanding environments. The company provides innovative wear-resistant products, application engineering and services backed by advanced material science, serving customers in 60 countries across diverse sectors of aerospace, earthworks, energy, industrial production, transportation and infrastructure. With approximately 13,000 employees and nearly \$3 billion in sales, the company realizes half of its revenue from outside North America, and 40% globally from innovations introduced in the past five years. Recognized among the "World's Most Ethical Companies" (Ethisphere); "Outstanding Corporate Innovator" (Product Development Management Association); and "America's Safest Companies" (EHS Today) with a focus on 100% safety, Kennametal and its foundation invest in technical education, industrial technologies and material science to deliver the promise of progress and economic prosperity to people everywhere. For more information, visit the company's website at [www.kennametal.com](http://www.kennametal.com).

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