ARROW

INTERVIEW WITH KEITH ZEHR

Keith Zehr is the President of **SteelCraft Inc.**, a diversified metal fabricator that has been delivering industry-leading design, engineering, and custom metal fabrication solutions to a global customer base for over 100 years. Arrow acquired SteelCraft in 2021.

WHAT WAS YOUR ROLE AT STEELCRAFT AT THE TIME OF ACQUISITION?

I'm the President of SteelCraft which is now part of the Arrow Manufacturing and Fabrication Group. I started at SteelCraft almost 25 years ago with the previous owner operator, Paul Summers, and together with our team, we have grown SteelCraft to over $100M in revenue. Several years ago, Paul decided that he was ready to retire, so we engaged an investment bank to sell the Company. We ended up pulling the sale for various reasons. However, as a part of the process, Mike Ritchie was introduced as a potential buyer. At the time, he was the owner operator of CGL Manufacturing.

Over the years, we got to know Mike – he made the effort to develop a relationship and establish trust with the full management team, not just Paul. Last year, when Paul decided on retirement, Mike was our first call. As Paul intended to completely exit the company upon retirement, I worked with the investment bank directly to ensure a smooth transition. We did receive multiple bids, but it was quite clear that Mike, having now created Arrow Machine and Fabrication Group, was the right fit.

WHAT DID IT MEAN FOR ARROW TO BE THE RIGHT FIT?

Well, first and foremost, Arrow submitted a financially competitive bid; otherwise, Paul would not have even considered it. Beyond that, Paul wanted to protect SteelCraft's legacy. This company has been doing custom metal fabrication for over 100 years. We did receive competitive bids from financial buyers, but were more comfortable with Mike, who – as an owner operator in the off-road industry himself – really respected the legacy of SteelCraft and understood our vision for the next evolution of the brand.

WHY WAS IT IMPORTANT TO HAVE A SHARED VISION?

We wanted to be sure there was alignment on the vision for growth. Some financial buyers buy to split and sell. Not all industry players have the funding needed to really supercharge next-level growth. Mike wanted to keep the company together, maintain the brand and its reputation for quality, and had the resources needed to build the business to be more global and more profitable. That's what our team wanted too. There is an alignment of passion in terms of where this business can go.

Having a plan for long-term growth – and communicating it honestly and clearly with our team of skilled craftsmen – was critical. And we're specifically talking about a long-term plan – making sure that our team understood that Arrow is partnering with us for the long-term journey, not just flipping the company or leveraging its assets. Making that clear kept our teams engaged and excited – not nervous – about the future post-acquisition. Particularly in this labor market where good, skilled craftsmen are hard to find and keep, you need a growth plan that attracts and inspires. We have been building our teams for decades and have lower than average turnover for the industry.

WAS THERE A LOT OF SHOP FLOOR TALK ABOUT THE SALE?

Not to my knowledge. We were actually able to keep the due diligence process very low key, and it certainly helped that the process happened during COVID. Most of the due diligence process happened electronically, so only our management team was aware that it was even in process.

When the sale was announced, I think there was a bit of concern because this is an understandably vulnerable time for employees. We operate like family – you enjoy the company of the team you build with and together we've really grown SteelCraft into something impressive. So it is absolutely emotional to lose co-workers – if your teammates are being laid off, it certainly mutes the upside to staying. Thankfully, Arrow has kept our teams intact. But that's why having a partner that shares in the growth vision is so important – our teams could see the continuity of management pre- and post-acquisition and could see that Arrow was directly supporting our vision for growth.

HOW DID YOUR OPERATIONS CHANGE POST-ACQUISITION?

Paul's absence was certainly felt, but nothing has changed radically from an operational perspective. We did have changes to our management team – many of our key administrative department heads (HR, Finance, Environmental, IT) were promoted up to Arrow's corporate operations. But, this is a good thing – it is good for the employees and good for the Group as a whole. At SteelCraft, we had built strong administrative and management processes, so Arrow absorbed some of our "best practices" to implement across the board at other, smaller acquired companies. That's part of the benefit of being part of a bigger group of operators – you get to share best practices, and in this case, best people! Thankfully, we had enough bench strength that we could promote from within to ensure continuity.

HAS YOUR WORK CHANGED SINCE YOU BECAME PRESIDENT?

I'd say about 90% of my job is about the same. We have been allowed to operate in much the same way as before. That is not to say that Mike and the Arrow corporate team (which now consists of several from my team!) aren't involved – they very much have a finger on the pulse of what is going on daily at SteelCraft. We have weekly meetings with Mike, specifically to discuss strategy and operations. Also, Arrow has created a steering committee that includes different members of the corporate entity and acquired companies where we can discuss strategy, growth, and best practices, which is great.

HOW DOES BEING PART OF THE ARROW GROUP WORK?

Being part of the larger entity, particularly through the steering committee, allows us all to discover new ways to leverage the Group's resources – cross pollinating design, engineering, and manufacturing capabilities; leveraging the combined supply chain for increased profit; meeting new customers that already have relationships with other members of the Group; and leveraging Arrow's global footprint to expand our customer base globally. Plus, we've validated the Arrow model together – we've met with key customers to better understand what they think the supplier of the future looks like. It's broader capabilities and deeper relationships with fewer, more reliable suppliers. That's the kind of next-level growth that the combined Arrow Group, including SteelCraft, can help provide.

Interested in Becoming an Arrow Partner?

Ideal partners are metal machining and fabrication companies generating $5 million or more in annual revenue with a clear path to future growth. We welcome conversations with owner operators looking to:

- Take their company to its next stage of growth
- Deleverage personal financial risk
- Benefit from being part of a large group of operators in the same industry sharing the same challenges

Our transactions are straightforward and efficient, usually lasting 3-6 months with limited disruptions to operations.

We encourage owner operators and business brokers to reach out to Mike Ritchie, CEO of Arrow Machine and Fabricating Group, to learn more.

Mike Ritchie

PRESIDENT AND CEO

ARROW MACHINE AND FABRICATION GROUP

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