

Ethical Leadership in Finance: *Balancing Profit & Principle*



WAF WISCONSIN
ALUMINUM
FOUNDRY

TRUSTED SINCE 1909

GOOD AFTERNOON!

- Gratitude
- Your role is critical
- Let's get the heart pumping
- Ethical challenges in everyday life



THE CRITICALITY OF YOUR JOB

- **Arbiters of Truth** – the numbers never lie
- **Vigilantes of Cost** – money doesn't grow on trees
- **Worriers-in-Chief** – everyone else is out partying
- **Guardians of the Unseen** – driving value in the back office



OVERVIEW OF OUR COMPANY



TRUSTED SINCE 1909



Manitowoc Foundry



Wabash Castings



Dee Manufacturing



Manitowoc Pattern & Machining



Consumer Products



ATEK Metal Technologies

Expect
the best.

5 generations

115 years of history

800 employees strong

\$250 million in annual sales

700k square feet of manufacturing space located in the heart of the US Midwest

Unmatched quality and delivery ISO 9001:2015 | IATF 16949:2016 | ISO 14001:2015

SOMETIMES WE MAKE COOL STUFF



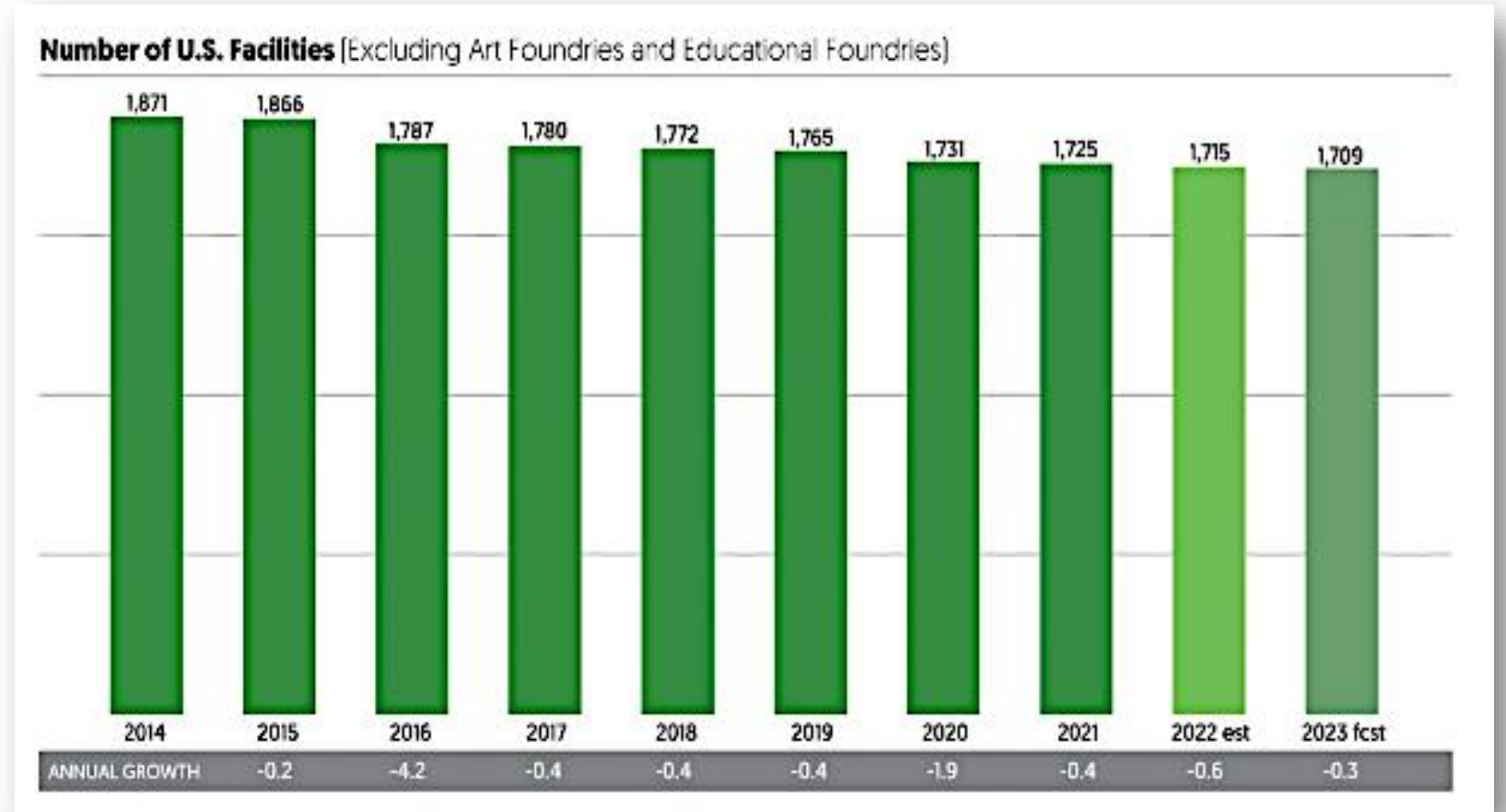
FOUNDRIY INDUSTRY: NOT FOR THE FAINT OF HEART



- **Economics are challenging:** Strong cyclicality, shrinking demand, heavy capital investment needs, labor unions
- **Small players comprise majority of industry,** but large players have tremendous scale advantages
- **Asian and European** foundries very competitive
- **Bankruptcies** are a constant drumbeat, even in current up cycle where liquidity is readily available
- Many **family-owned** business in 3rd-5th generations facing leadership transition issues
- **Hard work:** fire, fumes, sand, grinding, knockout and molten metal

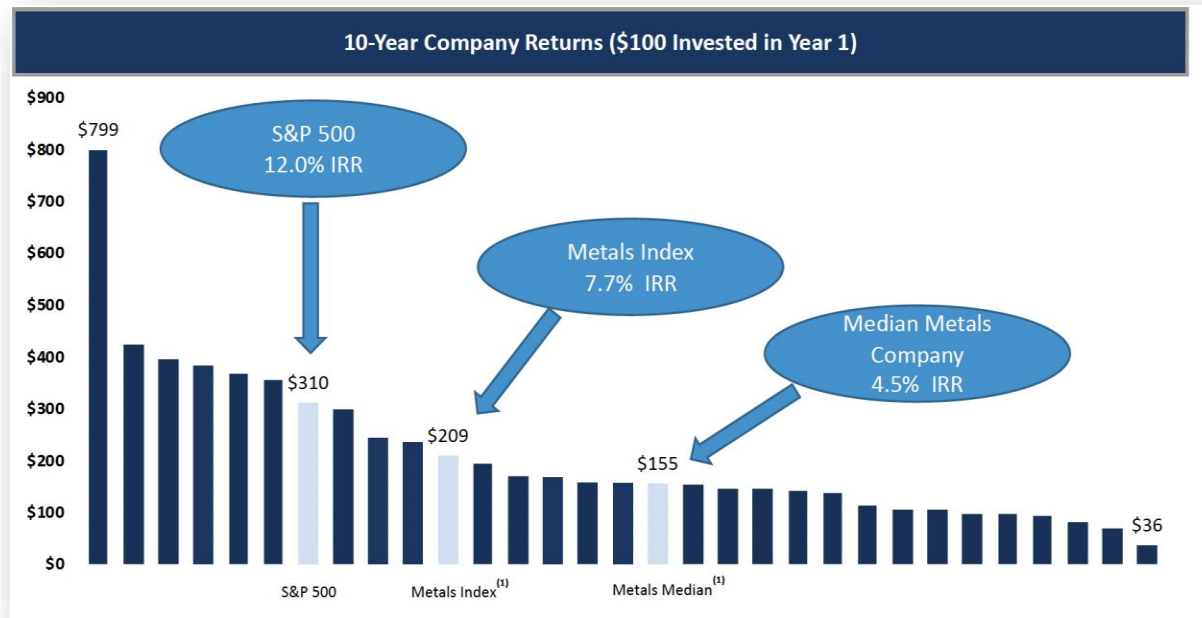
FOUNDRIES GRADUALLY WITHERING AWAY

- CAGR of -1%, matching decline in overall steel demand
- Average annual revenue per facility of \$20 million
- Wisconsin is the most foundry-intensive state in the US



Source: Casting Source, Jan/Feb 2023

CAN WE BE DIFFERENT?



Source: Headwall Partners

*No growth + poor economics =
Returns below the cost of capital*



A SIMPLE STRATEGY

Our purpose

- Wisconsin Aluminum Foundry will create **long term shareholder value**
- By maintaining an organizationally and socially **sustainable** business
- That produces and processes high **quality** metal castings
- And earns industry-leading margins through **efficient** operations and **niche** capabilities
- While preserving the Schwartz family legacy of **generosity** towards employees and our community

Our strategy



Maintain fortress balance sheet



Focus on our niche: High quality, complex custom castings delivered on ultra short lead times (at a high price)



Grow through adjacencies – machining, multi-metal and multi-process capabilities

INVESTING TO MOVE THE NEEDLE



WAF ALUMINATIONS
WISCONSIN ALUMINUM FOUNDRY NEWSLETTER FALL 2022

COMMITTING TO THE CLIMATE. POWERING NEW GROWTH.

WAF has long been committed to excellence, from industry-leading on-time delivery to superior customer service to positively impacting our communities with a focus on sustainability.

Part of our commitment to the environment includes a partnership with Gravity Climate, a carbon management software platform that measures our greenhouse gas emissions and helps us reduce our footprint. Gravity's software platform enables industrial businesses and their supply chain partners to manage carbon footprints while driving cost-effective decarbonization and long-term profitability. It also points out opportunities to apply new technology to industries that have significant physical operations and are at the core of maintaining the world's infrastructure: like WAF.

Being green-focused isn't just good for the environment — it's good for business. As customers increasingly ask about our sustainability initiatives, we're excited to deliver world-leading products in an increasingly climate-conscious manner and thereby unlocking new market opportunities. We are

SUSTAINABILITY AT A GLANCE

- The aluminum sector contributes roughly 3% of US emissions (DOE), and industrial supply chains are responsible for over 40% of all GHG emissions. (Rocky Mountain Institute)
- 60% of US Fortune 500 companies have climate goals, many of which include gaining visibility into the emissions of their supply chain partners. This means an acceleration in the number of asks for emissions data to companies up the supply chain. (Ceres 2021)
- Electric vehicles are one technology key to the green transition, and a core driver of the aluminum casting industry's growth prospects. (Global Information 2021)

MARKET NEWS

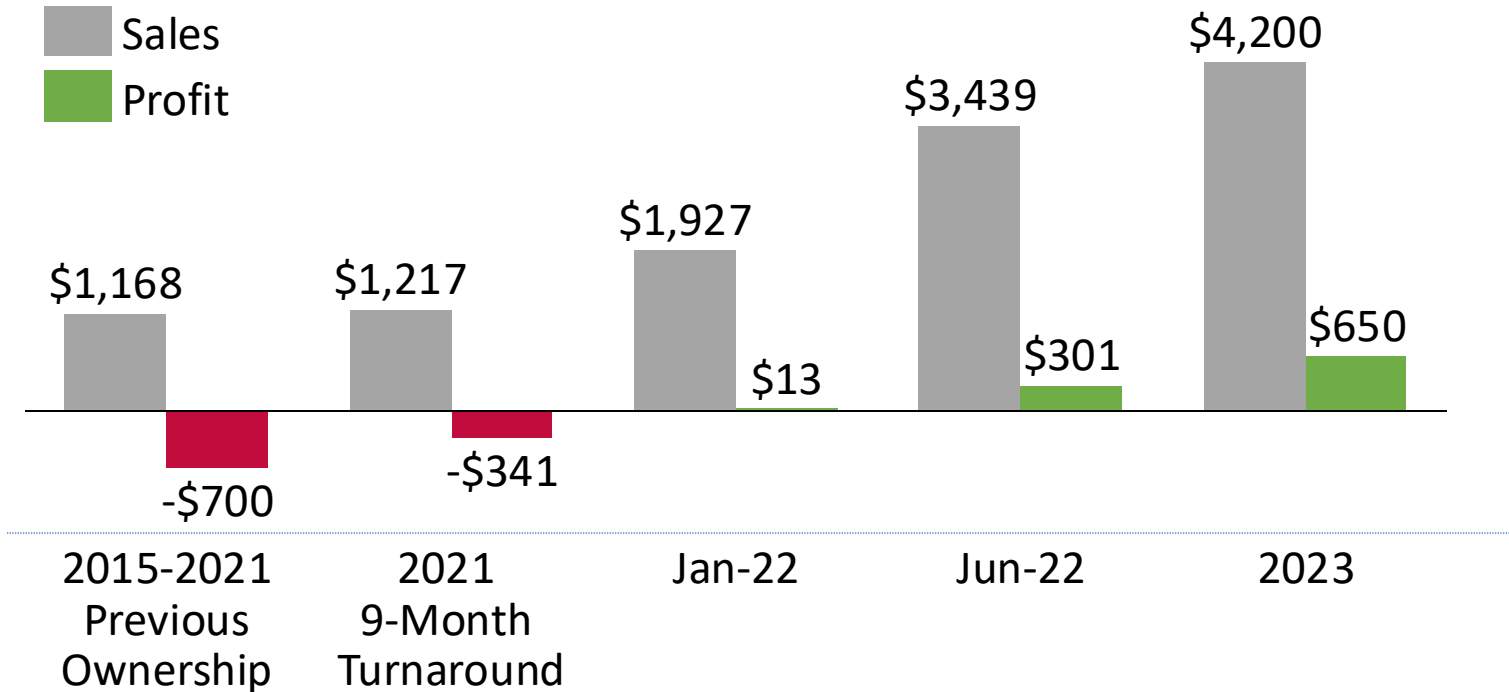
Manufacturing production has risen a modest 3.3% year-over-year and 1.9% year-to-date. Manufacturing capacity use was unchanged at 79.6% in August. It inched up slightly (0.1%) in August, even while continuing to grapple with soaring

Photo: JT Photography LLC

- Long-term orientation of ownership
- Retaining earnings
- Cautious but bold leverage
- Opportunistic acquisitions
- High conviction capital investments
- Expanding in good neighborhoods
- Alphabet soup – DWD, ERC, NMTC, IRA, 45X, 48C, R&E, WEDC, HBI, EDGE, JCF, DEED

OPPORTUNISTIC ACQUISITIONS

Wabash Castings monthly sales and profit/loss
(Numbers in thousands)

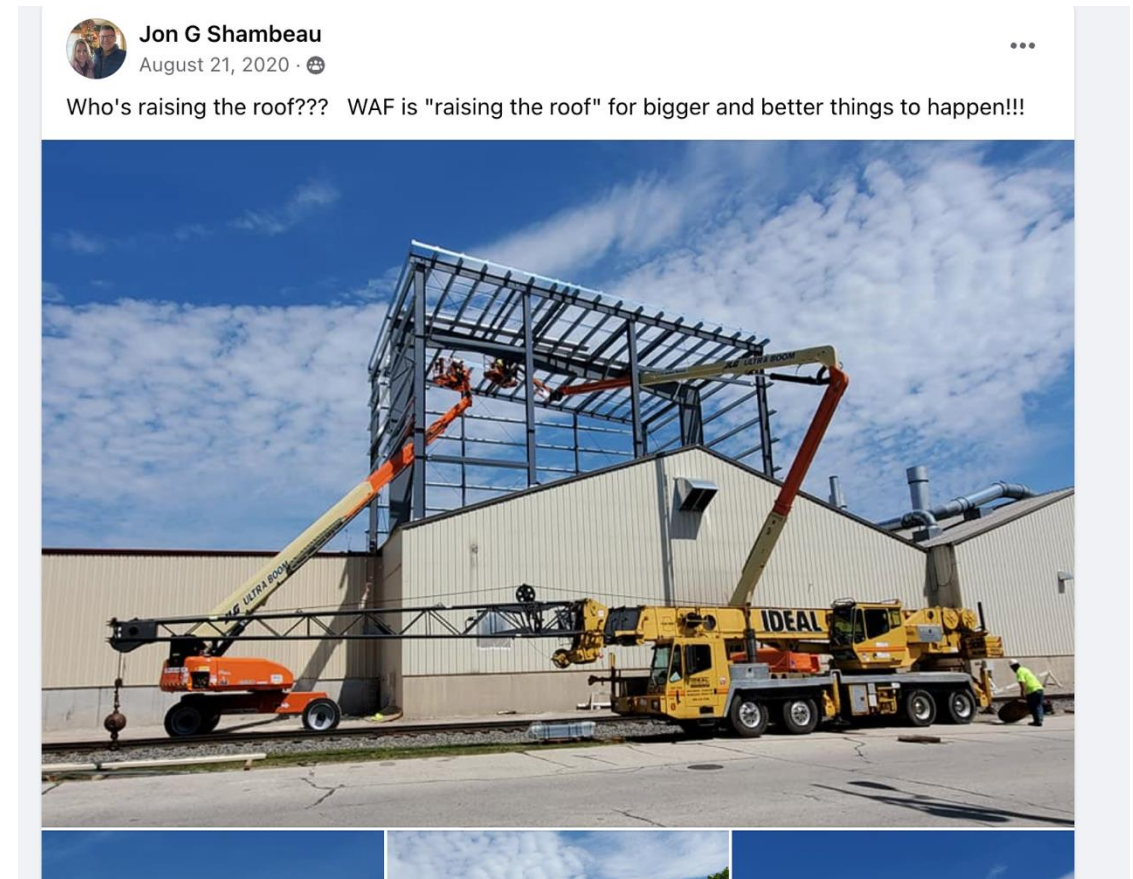


Turnaround

- Monthly sales revenue has more than tripled
- \$1.2 million/month improvement in bottom line
- Headcount has increased from 85 to more than 200
- Further improvement ahead: production efficiency and capital investment
- Culture is positive and energized, although always a work-in-progress

HIGH CONVICTION CAPITAL INVESTMENTS

- Too much capacity already
- Production ramp up always worse than planned
- Slow return on investment
- High bar for distinctiveness



ALPHABET SOUP

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 .COM

TODAY'S LOCAL & STATE NEWS FOR THE LAKESHORE

LOCAL NEWS STATE NEWS COMMUNITY SPORTS OBITUARIES EVENTS NEW

DWD Praises Wisconsin Aluminum Foundry for Work Done with Fast Forward Grant

Sep 25, 2022 | 8:00 AM
Local News, Ryan Brahm

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The Department of Workfor Wisconsin Aluminum Foundry they did with the Fast Forwa



THE ETHICAL MINEFIELD YOU WALK EVERY DAY

Desire for money



**Categorical
moral
reasoning**

**Utilitarian
calculus**

Personal value system

ETHICAL SITUATIONS ARE NOT ALWAYS A CRISIS

Once-in-a-career

- Price fixing, collusion
- Embezzlement
- External fraud
- Stock price manipulation
- Insider trading
- Bribery

Once-a-day

- Expense accounts
- Work hours reporting
- Selective sharing of info
- Favoritism
- Discrepancies in billing
- Lenient cost allocation

EVOLVING CONCEPTIONS OF FIDUCIARY DUTY

1970

A Friedman doctrine— The Social Responsibility Of Business Is to Increase Its Profits

By MILTON FRIEDMAN

WHEN I hear businessmen speak eloquently about the “social responsibilities of business in a free-enterprise system,” I am reminded of the wonderful line about the Frenchman who discovered at, the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned “merely” with profit but also with promoting desirable “social” ends; that business has a “social conscience” and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are—or would be if they or any one else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.

2019



2024



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ENSURING GOOD GOVERNANCE



- Facilitate informed decision-making
- Establish good internal controls
- Enforce compliance
- Monitor risks

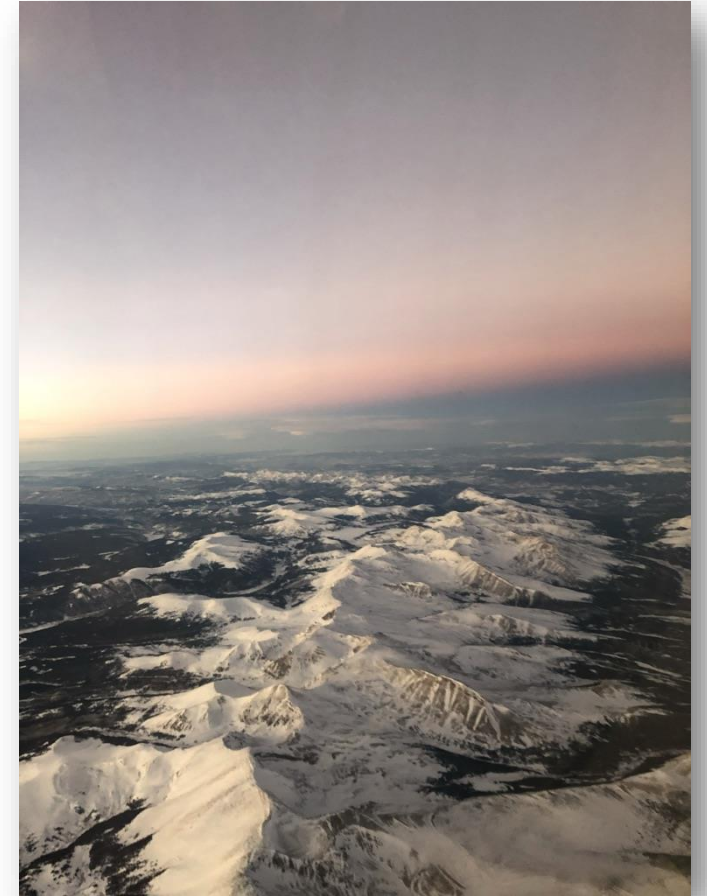
BUILDING AN ETHICAL CULTURE

- Lead by example
- Foster open communication
- Integrate ethics into decision-making
- Encourage accountability
- Measure and monitor culture



QUESTIONS TO PONDER

- How can finance professionals contribute to shaping a corporate culture that values ethical decision-making over short-term gains?
- To what extent should businesses address systemic issues like climate change or racial inequality?
- Is the pursuit of profit compatible with long-term societal well-being?



Thank you

WAF

