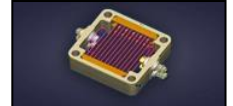
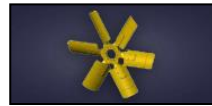


Case Study

PHILLIPS & TEMRO industries



Headquarters:

Eden Prairie, MN

Sector:

High-Value
Manufacturing
(Auto & Truck)

Transaction Type:

Family Office Buyout

Investment Date:

December 2004

Status:

Exited in February
2012

Company Overview

Leading global supplier of highly engineered diesel and gasoline engine components

Transaction Overview

The family office owner of Phillips & Temro (“PTI”) decided to sell the company through an auction process. MPE’s Investment Professionals differentiated themselves due to their focus on high-value manufacturing and experience helping companies expand operations globally

Transaction Outcome

MPE’s Investment Professionals worked proactively with management to weather the economic downturn in 2008-2009 while continuing to make strategic investments, including globalizing the company’s operations. Following the recession, PTI rebounded strongly and achieved record profitability, before being sold to a financial buyer in 2012

Original Investment Thesis

- Market leadership with dominant position in both air intake heaters and cold start heaters for heavy-duty truck and automotive markets in North America
- Highly engineered components supported by patent protection and unique design creates high switching barriers
- End market demand driven by shift towards global production, tightening environmental regulations, and on-road fleet age/replacement cycles

Company-Building Approach

Human Capital Development

- **Supplemented existing management team** through new hires and internal promotions
 - **Recruited CEO** with prior executive experience at John Deere
 - **Recruited CFO** with extensive industry experience at Fortune 100 companies
 - **Internally-promoted and recruited Divisional VPs** to oversee international expansion and optimize manufacturing footprint

Strategic Growth

- **Achieved strong organic growth** by penetrating aftermarket and high-growth Asian markets
- **Invested in new technologies** for electric and hybrid vehicles to capture next-generation platforms
- **Completed strategic acquisition in the UK** to expand PTI’s product line, geographic presence, and end market revenue base

Operational Improvements

- **Optimized manufacturing operations** by consolidating North American footprint, integrating UK acquisition, and launching greenfield China facility
- **Developed strategic outsourcing relationships** for high-volume components in Asia
- **Improved working capital** by instituting Kanban/pull supply to reduce inventory investment

Financial Enhancements

- **Employed conservative capital structure** to allow vigorous pursuit of numerous growth initiatives
- **Successfully restructured balance sheet in 2008-2009** to increase liquidity and financial flexibility
- **Professionalized financial planning and analysis** by identifying and tracking standardized KPIs and implementing best management processes globally