Case Study

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

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