

Philadelphia Gear - Rebuilding a Grand Old Company

One of the most difficult challenges for a manager is turning around a business. That is even tougher when the business is faced with low-cost international competitors and outdated business practices. That is exactly the situation that Carl Rapp, CEO of Philadelphia Gear Corporation, found himself in when he joined the company in 2001.

Philadelphia Gear is the original Wind River Holdings company. Founded over 115 years ago and part of the Wind River family for over 70 years, Philadelphia Gear built a successful model around sophisticated engineering, large scale domestic gear manufacturing, and heavily engineered gear drives. The company has been a defense contractor to both the U.S. Navy and Coast Guard as well as serving customers around the world ranging from National Oil Companies to General Electric. Philadelphia Gear was recognized around the world

for its industry leading capabilities and state-of-the-art facilities.

By the late 1990s, the world had passed Philadelphia Gear by. Low cost competitive products were being imported into the United States. Large-scale gear manufacturing operations were outmoded and inefficient. As a result, Philadelphia Gear was losing sales and losing money. Something had to be done to save this great old company.

Carl Rapp and his team used the proprietary Wind River Strategic Architecture process to re-craft the Philadelphia Gear business strategy. The company changed its focus from sales of large individual gear products to OEMs to aftermarket services for the energy industry. The central manufacturing plant was closed in favor of five regional service centers located near the customer's base. Manufacturers reps were replaced

by a large direct sales force in order to get closer to the customer. Tactical Engineering, long the strength of the company, was moved out of the headquarters and into the service centers to work directly with the customers while a smaller core design group remained as part of a re-sized central team.

The new strategy transformed Philadelphia Gear. The sales decline stopped and today its revenue is running over 25% ahead of 2002. Profitability was restored and Philadelphia Gear has posted increasing operating profit in each of its last four years. Philadelphia Gear has expanded from its base in the United States to Mexico, Dubai and the United Kingdom. Philadelphia Gear is once again a Grand Old Company but with a fresh new look and great opportunities ahead.



Target Criteria:

Location: U.S. based operations

Size: \$5-\$20 million EBITDA or \$30-\$150 million in enterprise value

Industry:

- Light manufacturing and assembly: consumer or industrial
- Business and consumer services
- Financial services

Branding: Branded products or services: consumer or industrial

Investment: Control position

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