

# THE HARDING GROUP

“TWENTY-SIX YEARS OF BUILDING ENTERPRISE VALUE”

## SUMMARY INFORMATION

# THE HARDING GROUP



## THE HARDING GROUP

THE HARDING GROUP, founded in 1984, is a private equity investment and management firm based in Greenwich, Connecticut. The Firm's investment focus is on manufacturing companies with solid fundamentals as either platform or add-on acquisitions. We have acquired over 17 manufacturing companies during the past 26 years.

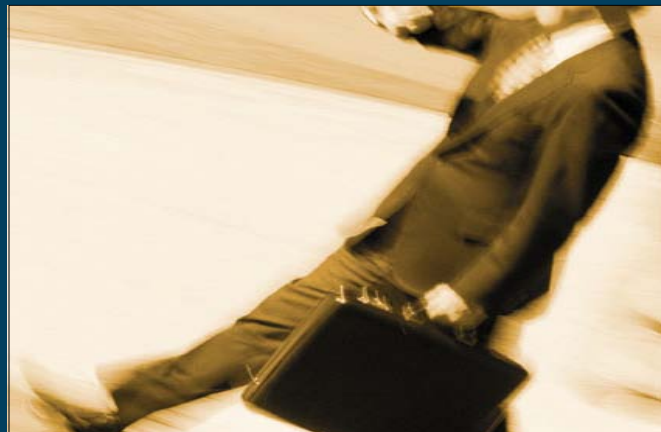
We have a strong operating culture and experience level combined with very seasoned financial expertise. As a result, we have been very successful in building long-term enterprise value of the companies in which we invest. The ethos of our firm is people-centric and based upon the fusion of integrity and sound character with entrepreneurial spirit and best practices.

## ABOUT THE FIRM

Our acquisition interest is focused in three areas: (1) medical device manufacturing, (2) precision value-added metal fabricated products, and (3) engineered plastic products manufacturing.

We have worked with many family-owned and closely-held businesses in the past. Besides getting to know the business as an appropriate acquisition, we spend a great deal of time upfront and during ensuing discussions with shareholders and management to see if there is a fit or "good chemistry" with us. We believe we are partnering with management for the long run and have always provided equity incentives to top management. One of our main goals after closing is to maintain or enhance the existing culture of the business, which has been fostered by founders and families over many years.

We provide high-level strategic guidance, and also work closely with management on operational issues facing the business. We foster company growth through such initiatives as additional capital investment, international sourcing, overseas partners, product-line expansion and development of new products and markets. Because we are focused, guided by our track record and backgrounds, we can provide breadth and depth of knowledge and experience in building long-term enterprise value.



# OUR APPROACH

## OUR APPROACH

We are actively looking for investment opportunities in companies that meet the following characteristics:

- Manufacturing businesses in our three areas of interest and expertise: (1) medical device manufacturing, (2) precision value-added metal fabricated products, and (3) engineered plastic products manufacturing
- Revenues between \$20 and \$75 million
- EBITDA of \$3 million and above
- Stable and seasoned management team
- Well-positioned in attractive market niches
- Capable of developing or further growing highly-engineered proprietary products
- History of stable or growing cash flow
- Strong balance sheet
- Good customer relationships

Our investment acquisitions are always for a majority interest. We have strong relationships with banks and other financial institutions. We invest our own capital in our acquisitions as opposed to "other people's money". As a result, we are deeply committed to the success of building long-term enterprise value.

As mentioned about the ethos of THE HARDING GROUP, we are strongly committed to integrity in everything we do, and also support our communities.

## CURRENT INVESTMENTS

*Cygnus Manufacturing Company (“CMC”)* is a leading manufacturer of minimally and non-invasive medical device products, such as angiograph injector heads used in cardiac catheterization and hospital bed and kidney dialysis machine assemblies and components; safety product components (including breathing apparatus used by firemen and rescue workers); and high precision transportation components used in such products as freight train brakes and the interior of New York City subway cars. CMC is FDA registered, ISO 13485:2003 and ISO 9001:2008 certified. [www.cmc-usa.com](http://www.cmc-usa.com)



## PRIOR INVESTMENTS

Below are descriptions of select prior investments that illustrate the Firm's primary focus on manufacturers of medical devices, precision value-added metal fabricated products, and engineered plastic products.

*Walco National Corp.* – the Firm formed a corporation with management to take private this American Stock Exchange manufacturer of AC and DC electric motors, precision metal stampings, heavy duty forgings and castings, and engineered plastic products. Markets served included automotive, commercial and industrial manufacturers.

*Crenlo Inc.* – a leading manufacturer of cabs and rollover structures for construction, agriculture, and commercial equipment markets serving manufacturers such as Caterpillar, Deere & Company, and Case New Holland. Crenlo's cabs are highly engineered, custom designed, steel frame enclosures which attach to and become an integral part of an OEM's specific equipment. Cabs range in design complexity from simple shells to totally equipped cabs which would include seats, controls, air-conditioning, etc. In addition, Crenlo builds a proprietary line of modular electronic enclosures under the

## PRIOR INVESTMENTS (cont'd)

trademark of EMCOR Enclosures, servicing varied markets, including the defense, datacom, telecom, security, test & measurement and broadcast industries. Crenlo also provides expertise in the design and manufacture of high volume, build-per-print requirements for major customers such as Siemens, Hewlett-Packard, and Agilent Technologies. Crenlo is now a division of Dover Corporation.

*Lenco* – a manufacturer of engineered plastic products serving primarily the medical device, food packaging and media industries. Products include medical nebulizers, various plastic medical products sold through pharmacies, audio and video components, and media storage boxes.

*American Engineered Components (AEC)* – a leading designer and manufacturer of complex, custom designed stamped metal components, disc springs and engineered industrial fasteners, including sealer plugs, Carr Plug Buttons and Teenuts, serving primarily the automotive, truck, electronics and industrial products markets. The products and components manufactured have long life cycles. Manufacturing processes included progressive die, transfer press, and multislid operations. Customers included General Motors Truck and Bus, Ford, Chrysler Corporation, TRW, Autoliv, and Schlumberger.

*Rolex Company* – a precision disc spring manufacturer that is ISO and QS certified serving power transmission applications such as clutches and brakes; valve and flange seals; hoists, cranes and other heavy equipment; electrical switchgear and buss bars; and ball bearing containment.

*Johnson & Hoffman (J&H)* – a manufacturer of precision metal stampings and deep drawn components serving the airbag segment of the automotive industry and the electronic and ordnance industries. Products included components for smart, side and window airbags. Zero defects are a must in these applications.

## PRIOR INVESTMENTS (cont'd)

*Exatron Tool & Die (Exatron)* – a manufacturer of coined metal components and assemblies used in electronics and industrial markets for current-carrying applications such as power rectifiers, rectifier modules, RF components, over-voltage protection devices, relay headers and transformer bases. Its products allow glass to metal seals found in semiconductors, lithium batteries, pressure sensors, end-seals and diodes.

*Electrotech* – a manufacturer of precision lightweight metal stampings serving the electronics, data, telecommunications and consumer electronics industries. Metals used included copper, gold, bronze and stainless steel.

*Staver Manufacturing Corp.* – a producer of high quality, deep drawn precision stamped metal components with very close tolerances for the automotive, commercial, military and electronics markets. Products included light bulb shields and assemblies for automobile headlamps as well as digital signage products.

*Oneida Molded Plastics* – a manufacturer of highly engineered plastic products and subassemblies for the heating and air-conditioning, media, and other commercial and industrial industries.

*International Media Products* – a precision manufacturer of coated polyester film components used in audio and video products serving customers in the U.S., Mexico, Canada, Hong Kong, China, Singapore and Malaysia. The company was merged with Component Technologies.

*Platinum Molded Products* – a manufacturer of highly engineered plastic products serving the medical lighting, commercial lighting and corporate advertising industries.

For a more complete listing, please visit the 'Investments' page of our website.

## CASE STUDY (1 of 2) American Engineered Components



THE HARDING GROUP purchased the Industrial Fasteners Division of TRW and renamed it American Engineered Components (AEC). The business was non-core for TRW, and as a result, was undermanaged but profitable. The trailing twelve months financial performance before acquisition was \$16 million in revenues producing \$1 million in operating profit.

**Background:** AEC was a leading designer and manufacturer of complex, custom designed stamped metal components, disc springs and engineered industrial fasteners, including sealer plugs, Carr Plug Buttons and Teenuts, serving primarily the automotive, truck, electronics and industrial products markets. The products and components manufactured have long life cycles. Manufacturing processes included progressive die, transfer press, and multislide operations. Customers included General Motors Truck and Bus, Ford, Chrysler Corporation, TRW, Autoliv, and Schlumberger.

**Stage 1:** With management, we set out to improve internal operations and staffing. Since the sales and marketing organization was previously shared within TRW, it remained behind with them. AEC had only customer service personnel and needed to create its own internal sales and marketing team. We balanced the need for internal sales and marketing staff with high quality representative organizations and distributors. We opened a new office with our own sales personnel in Detroit to better serve the automotive and truck customers. Previously, a representative organization worked for us in Detroit, but we needed to have dedicated and focused individuals to better serve AEC's important customers in Detroit. Since much of the selling and product development was technical, we used team selling nationally with our in-house engineers to solve problems for our customers. This strategy proved to be highly effective and allowed us to significantly grow the business organically and add new customers.

## American Engineered Components (cont'd)

Concurrent with the sales and marketing initiatives, we streamlined production and improved operating flexibility, introducing operating cells, Kanban and other best practices initiatives. We found that teamwork and morale soared as clarity of strategy and execution allowed people to see the journey ahead. As a result, improvement ideas came from all walks of employees including machine operators, foremen, engineers, sales, finance and human resources.

Also important was the relocation of the main factory in Cambridge, Massachusetts. The original factory was a 100,000 square foot three story brick building from the 1920's. Operations were spread over the three floors, and we wanted to move to a single story factory nearby to keep all employees and improve efficiency. We found a 108,000 square foot factory nearby in Brighton, Massachusetts, and moved the company to this new facility. Prior to moving, the new building fit-out was optimized for efficiency and production flow. The results were outstanding, and we completed the move during Christmas shutdown in a snowstorm with no loss of production. The employees were amazing to pull off this move. Teamwork was alive and thriving at AEC.

**Stage 2:** Now that our internal house was in order, we began an acquisition program based on our strategy of finding niche add-on companies that would complement our product lines and fit with our company culture. Included in this acquisition strategy, we wanted to be able to cross-sell across all related product lines to gain further depth and breadth with our customers. We were ahead of the curve of the trend of companies partnering with fewer suppliers. Over a four year period, we made six acquisitions that proved to be highly effective and complimentary with our internal improvements. Our sales had grown from \$16 million to \$50 million while our operating profit grew from \$1 million to \$9 million.

## American Engineered Components (cont'd)

We had owned the business for six years and felt that to take it to the next significant level such as \$100 to \$150 million in revenue, our ownership position would be severely diluted below majority ownership. We believed that a larger firm or corporation would better be able to continue the growth trajectory, provided that we could ensure that management remained in place and would continue to have an equity stake in the company. After talking with several possible buyers, we decided to sell to Goldner, Hawn & Morrison, a large, well-capitalized private equity firm that would continue AEC's goals and objectives with the existing management in place and providing continuing equity stakes in the company. Importantly, AEC management was also able to realize a significant capital gain on their equity from our sale of AEC.

## CASE STUDY (2 of 2) Crenlo



**Background:** Founded in 1951, Crenlo is a leading manufacturer of cabs and rollover structures for construction, agriculture, and commercial equipment markets serving manufacturers such as Caterpillar, Deere & Company, and Case New Holland. Crenlo's cabs are highly engineered, custom designed, steel frame enclosures which attach to and become an integral part of an OEM's specific equipment. Cabs range in design complexity from simple shells to totally equipped cabs which include seats, controls, air-conditioning, etc. In addition, Crenlo builds a proprietary line of modular electronic enclosures under the trademark of EMCOR Enclosures, servicing varied markets, including the defense, datacom, telecom, security, test & measurement and broadcast industries. Crenlo also provides expertise in the design and manufacture of high volume, build-per-print requirements for major customers such as Siemens, Hewlett-Packard, and Agilent Technologies.

**Approach:** We were approached by the three senior members of Crenlo's management team to see if we could help them with the acquisition of their company. They were also interviewing other private equity firms in New York City to see if any of them would be a fit for them. Crenlo was part of a New York Stock Exchange listed parent company, GF Corporation, whose other major business was commercial office furniture. This parent company wished to divest Crenlo in order to focus their energies on growing the office furniture business. We immediately liked the management and their straightforward, pleasant midwestern style and clear competency in running Crenlo. They were truly seasoned, and we felt we could do things together. The chemistry gelled, and we began the negotiations with the parent company to buy Crenlo with management.

## Crenlo (cont'd)

This situation was a bit different than normal as the three senior managers wanted to eventually own all of Crenlo. We liked these men a lot and felt we could craft a “win-win” structure for them and us, but they did not have much capital to invest. We worked out a way, through performance incentives and puts and calls over a five-year strategic and financial plan, to put them in a position to own the business if they met or exceeded the plan in the fifth year, our targeted exit year.

*Execution:* What ensued proves the power of aligning interests to facilitate these men achieving the American dream. Crenlo’s trailing twelve month revenues were \$35 million and operating income was \$3.5 million. By the end of the following year, we grew revenues to a \$43 million annual run-rate and because Crenlo had a high fixed cost structure at these sales levels, most of the increased sales dropped to the bottom line. As a result, operating profit soared to \$9 million and was sustainable.

We found ourselves ahead of schedule on meeting the fifth year plan by three to four years, and we were able to make the management’s dream come through early. We enlisted J.P. Morgan and its private investment arm, as a result of our long relationship with them, to help. They financed the purchase of our securities and provided bank financing for Crenlo while receiving a minority equity stake in Crenlo for their equity investment. Management now had majority ownership of Crenlo with a right to buy out J.P. Morgan in the future.

## Crenlo (cont'd)

A few short years later, J.P. Morgan's loan was paid in full, and they sold their equity ownership to management. Management now owned 100% of Crenlo. The company continued to grow over the next several years to well over \$100 million in revenues with no debt. Management continued to run the business until it was sold to Dover Corporation, when they retired. We could not be happier for their success and ours with this journey.

*Testimonial – After J.P. Morgan had its bank loan repaid in full and received a substantial profit on their equity investment in Crenlo, Sandra Payne, a senior officer, said “It was one of our best investment experiences ever, and we value the leadership of THE HARDING GROUP.”*



### **Craig K. Harding**

Mr. Harding is the Founder and Chairman of THE HARDING GROUP and has over 29 years experience in the private equity industry where he has been a pioneer . Prior to founding THE HARDING GROUP, Mr. Harding helped start and was Chief Operating Officer of the Leveraged Buyout (LBO) business of General Electric Capital Corporation (GECC) where he pioneered direct investments in companies . Prior to these LBO responsibilities, he ran the Strategic Planning and Business Development Operation for GECC, reporting to the President and Chief Executive Officer. While in this position, he started two businesses de novo for GECC and closed several major strategic acquisitions.

Before joining GECC, Mr. Harding was Corporate Vice President of PaineWebber specializing in corporate development and mergers and acquisitions. Prior to this, he started and ran an importing business for United Fruit Company in Latin America and was responsible for turning around a large agribusiness operation in the United States. Earlier, he was with a predecessor of J.P. Morgan Chase as an Assistant Vice President in Corporate Lending.

Mr. Harding received his MBA from The Wharton School of the University of Pennsylvania, where he served on the Board of Overseers. Previously, he was Chairman of the Graduate Executive Board of the MBA program, is past Chairman of the Wharton Fund, and is also a recipient of the Distinguished Service Award of the Wharton Alumni Association for his service to The Wharton School. In addition, Mr. Harding was a Trustee of the Eagle Hill School, served on the Executive Board of Trustees of the Greenwich Council of the Boy Scouts of America where he received a national distinguished service award for service to youth, and is a member of the World and Young Presidents' Organization. He graduated from Ohio Wesleyan with a BA in Economics. He lives in Greenwich, Connecticut with his wife, son and daughter.

# CONTACT US



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For further information, please feel free to contact us at the following:

THE HARDING GROUP  
67 Holly Hill Lane  
Suite 200  
Greenwich, CT 06830  
Telephone: (203) 629-5400  
Facsimile: (203) 629-5444

Craig Harding: [charding@hardinggrp.com](mailto:charding@hardinggrp.com)  
Or visit our website at: [www.hardinggrp.com](http://www.hardinggrp.com)