



FacilitatorCapitalFund

Start Strong. Finish Stronger.

Waukesha Foundry

During the recent economic downturn, the U.S. steel industry was mired in a deep slump. Many of the nation's small, family-owned foundries buckled under the pressures of global competition. Several large foundry conglomerates also struggled, with a number of them filing for bankruptcy protection. In total, nearly 40 percent of steel foundry capacity was shut down.

And yet, during the same period, Waukesha Foundry grew. By 2005, the Southeastern Wisconsin specialty stainless steel and high-alloy producer had expanded from a \$16 million business with 135 employees to a \$25 million operation employing 180.

How did Waukesha Foundry not only survive but thrive in times that were so tough on other family businesses?

In 1999, Facilitator Capital Fund, a Milwaukee-based private equity investment firm, looked at Waukesha Foundry and saw untapped potential. Two of three owners were seeking liquidity for their investments in the foundry. Facilitator saw that Waukesha had earned an excellent reputation over 90 years as a provider of casting solutions for complex problems. Intent on maximizing those unique capabilities, FCF acquired Waukesha and quickly committed to the long-standing business—infusing it with capital, borrowing capacity, management talent and strategic focus.

The buyout was a perfect fit for FCF, a group that specializes in acquisitions of established, small-to-mid-sized businesses in Wisconsin and the Upper Midwest. Because the people of Facilitator Capital Fund share close ties to the region, they are committed to making a positive investment impact near their homes. Today, Waukesha is one of 10 FCF portfolio companies based in Wisconsin. Together, those companies employ 950 people and generate \$205 million in annual revenues.

Such hometown focus is a rarity in private equity investing. FCF and its portfolio companies support the local economy by purchasing approximately \$75 million in goods, including packaging, raw materials and supplies, from Wisconsin companies. In addition, FCF contributes more than \$3 million annually through property and payroll taxes.

Growth through Innovation

FCF companies' potential lies in one key area: innovation. A detailed research study by Deloitte and Touche recently found that over the next six years, 70 percent of a typical manufacturer's sales will be obsolete due to changing customer demands and competitive offerings. What that means for manufacturers in virtually all industries is that innovation is crucial to survival and success.

However, according to the recent Marquette University Center for Family Business Survey of Family Business Issues, smaller family businesses lag in innovation. While the average U.S. company spends 4.1 percent of its revenues on research and development, the average family business in Wisconsin and the Upper Midwest spends less than 2 percent.

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So there's plenty of room for improvement—as long as there is the commitment, as well as the capital, to innovate for growth. FCF helps its portfolio companies by making innovation an embedded, continuous process at all levels of the organization in the quest for better ideas, products and markets.

The Waukesha Challenge

In Waukesha's case, the company already enjoyed a strong reputation and market share in the food equipment, ordnance, petrochemical and defense/commercial aerospace markets. Plus, Waukesha possessed some of the deepest engineering capabilities in the industry.

It was a situation ripe for the pursuit of expanded product offerings and markets, through both acquisitions and innovative, organic growth. FCF injected growth-minded leadership into the organization with an experienced CFO and a new head of marketing.

Then recession hit, softening many of Waukesha's key high-margin markets. Revenues fell about 15 percent—less than the industry average, but enough to hurt profitability. It was a fatal climate for many foundries. But not for Waukesha—with FCF's commitment. Instead of cutting back, Facilitator Capital Fund saw the downturn as an opening to position Waukesha for growth in the inevitable upswing.

In 2001, FCF acquired P&W Machine in Germantown, Wis., for complementary machining and advanced finishing of foundry-produced parts. Then, in 2003, FCF acquired Kramer International, a Milwaukee foundry that nearly doubled Waukesha's size, broadened its customer base and enhanced its capabilities.

The Future of Waukesha Foundry

Today, Waukesha Foundry is poised for robust growth. With a strong CEO who helped identify cost savings related to the acquisitions, a new VP with extensive background in sophisticated cast products and an efficient new management information system, Waukesha has many growth opportunities in defense, aerospace and machining.

The visionary leadership at Waukesha is helping the company adapt to evolving global markets. To provide customers with a broader range of lower-cost cast products, Waukesha has invested heavily in developing sources of supply in India to complement the parts that the company continues to produce in Waukesha. In summer 2005, customers began to receive components through this global sourcing initiative, which dovetails with other global sourcing efforts at several FCF portfolio companies.

The company continues to build on its tradition of innovation. Waukesha utilizes a unique patternless-casting process that it developed with the Department of Defense in 1999. This technology allows Waukesha to produce complex, one-off castings quickly and cost effectively for a variety of applications. The foundry is involved in several high-profile projects, including the Department of Energy-funded nuclear stellerator initiative. Waukesha recently produced the test casting for the project, the goal of which is to develop workable nuclear energy production via fusion reaction—a process much cleaner than fission because it produces minimal nuclear waste. Waukesha is also involved in creating castings used in the airframe for Boeing's newest airliner, the 787 Dreamliner. Ahead are more innovative developments, including the installation of a robotic router that will give Waukesha some of the world's most advanced capabilities in patternless casting.