

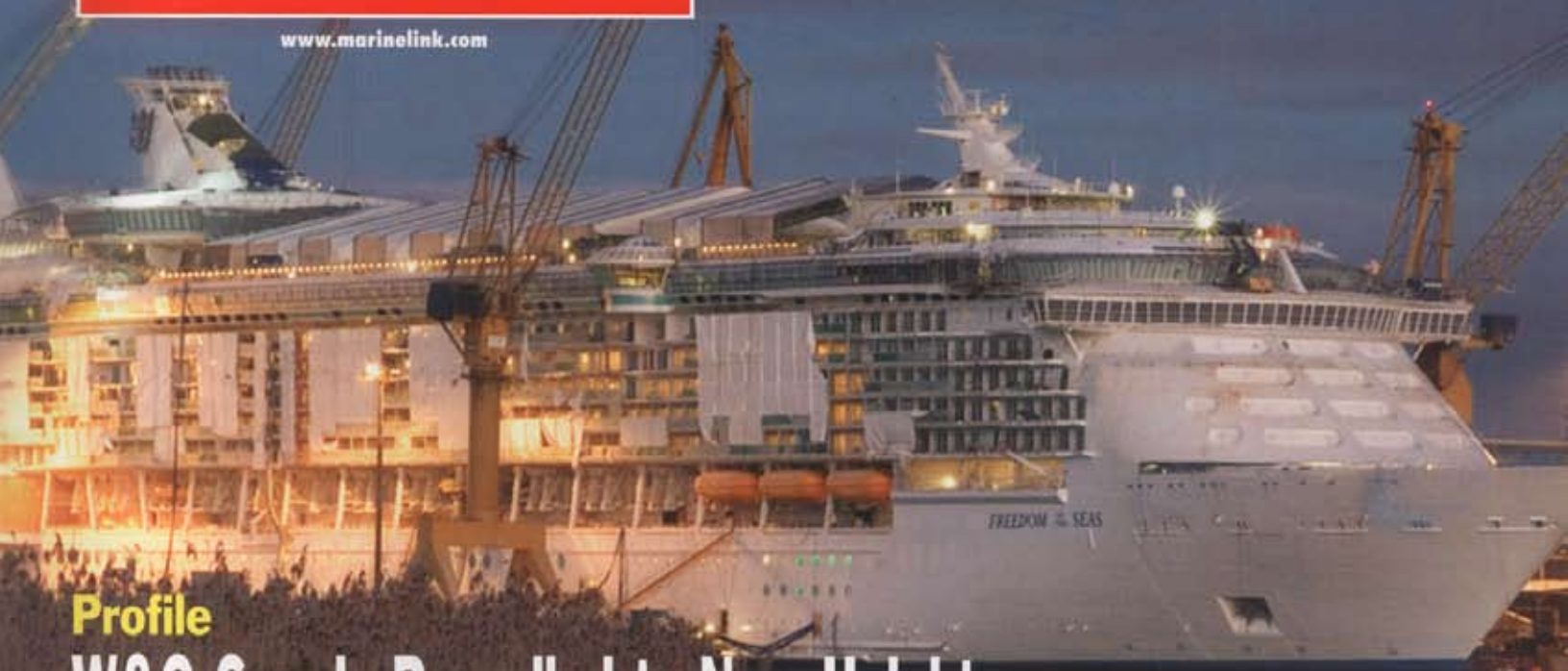
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Propelling W&O Supply to New Heights

By Greg Trauthwein

When David Turner, 42, started his career in the marine industry 15 years ago with W&O Supply, he was not your typical "marine guy" by any stretch of the imagination. Asked to lunch by company founder Herb Goelz, whom Turner had formed a relationship with in his position as a commercial bank manager, he was at an early career crossroads and was unsure of his future course. "Banks are big, and it's hard to have a tangible impact every day," Turner said. "Herb asked me if I wanted to move to Mobile and run a branch, and I asked two questions: 'What does a branch manager do?,' and 'Where is Mobile?'"

Upon driving to Mobile to check it out, Turner found a 2,000 sq. ft. warehouse with three employees, and a branch that generated \$80,000 a month and was losing money. He accepted the job - the first outside manager ever hired by the company - mainly on faith in Goelz, and he moved to Mobile. Within a year the branch was generating \$250,000 a month and was making money. "I trusted Herb," Turner said.

While Turner's engineering expertise was scant, his salesmanship, energy and drive compensated as he learned the

business. Hailing from Pittsburgh and four generations of steelworkers, he seemingly has melded the blue-collar roots with business savvy to good result.

At the time he took over in Mobile, W&O's reputation was less than stellar, and the move initiated a process that changed the way in which the company looked at business. In essence, they found, you need a "CEO of each branch;" one person with total responsibility, from top down.

Today the company has 13 branches across the country, with Turner serving as CEO since 2003. The company has grown from a turnover from \$20 million to \$76 million, and W&O Supply is coming off of 2005 as its best year in the history of the company, with the highest sales volume ever, according to Turner.

Growth

With 13 branches and a wide range of engineered products and systems, W&O Supply has found success in the oft-turbulent marine business. The secret is actually not a secret at all, as the company is like a well managed stock portfolio: diverse enough to smooth wild market segment swings while reactive enough — and well financed by Dutch-

based parent Pon Holdings — to jump on opportunities when they present themselves.

A significant step in the ascension of W&O Supply was breaking the mold of simply being — and just as importantly, being perceived as — a supplier of product.

The company offers an array of engineered products, delivered assembled, tested and ready to install to shipyards that are increasingly pressed to move materials from storage to vessel as quickly as possible.

A banner in this transition was the company's acquisition of the automated valve line from Valve Automated Controls (VAC), which has led to several breakthrough contracts. Most recently, W&O and VAC were tapped to supply the automated valves for the eight new National Security Cutters (NSCs) and also seven Offshore Patrol Cutters (OPCs), part of the U.S. Coast Guard's Deepwater recapitalization program. The contract calls for W&O to supply more than 150 automated valves for each of the 15 vessels over several years.

Upon touring the Jacksonville warehouse, there is indeed a lot of pipe and valves, but W&O Supply also offers a wide range of engineered products, such as RISE, Sea press and the Asco line of solenoid valve. The Asco line, acquired two years ago nationwide, has been particularly successful, and W&O's sale of the line tripled last year, Turner said.



David Turner

ASCO is a leader in the design and manufacturing of solenoid valves. In 1910, ASCO became the first company to develop and manufacture an electrically operated control device known as the solenoid valve. ASCO has served the Navy for over 65 years. ASCO continued its development activity in these product areas and today manufactures products designed to control and monitor the flow of air, gas, water, oil and steam.

"They owned the market 30 years ago, but as they grew, they focused on other growth areas (other than the marine business)," Turner said.

While the company is continually on the prowl for new systems, it relies on products such as the SPACE cast steel valve line as a steady performer.

W&O Supply: Stepping Up After Disaster Strikes

W&O Supply CEO David Turner was standing in his local deli waiting for a sandwich when he saw television news footage of one of the New Orleans levee breaks the day after Hurricane Katrina, and thoughts immediately turned to the 11 employees of the W&O Supply New Orleans branch. "We have 11 people in New Orleans, and it took us 10 days to find all of them to ensure they were safe," Turner said. "Through all this personal suffering, our employees have somehow managed to stay focused on what customers we did have operational. Within two days of the storm, we had sales people operating remotely with laptops from their locations and shipping products to customers from other W&O locations around the U.S." But this is not a story solely about the seamless continuation of business and the saving of dollars in the face of disaster, rather a glimpse of a company that cares for the human needs of its employees first. The day after the storm, the chairman of Pon (W&O Supply's Dutch owner, a \$5 billion privately held company) was on the phone, not asking about our business plan, but to ask about the status of our 11 people, Turner remembered. "He wanted daily updates on the status our people, not sales figures." While the level of devastation to the entire region grew exponentially, Turner and staff focused on the needs and livelihoods of its 11. Employees across the country donated generously via an employee fund, and corporate matched dollar for dollar contributions made by employees.

We knew we had to do something, and we knew we couldn't help everyone (in the region) ... so we focused on helping our 11 the best we could, Turner said.

W&O Supply has had great success with the ASCO line, a designer and manufacturer of solenoid valves.



Profile

With sole source contracts with barge building giants Trinity and Jeffboat, Turner estimates that the Space valve owns nearly 80 percent of the domestic barge market. Turner counts finding good quality people as one of the biggest challenges in growing the company today, and to this end fulfilling the

need is a top focus in 2006. The company has initiated a new management training program, and has hired a new Director of Human Resources to enact the plan to "grow our own managers." Specifically, the company plans to hire entry level management candidates, put them through an eight to 12-month man-

agement program and then dispatch them to the field to run one of the company's 13 branches.

Lean & Mean

A major milestone for W&O Supply in 2006 will be the implementation of the LEAN management process.

"Herb asked me if I wanted to move to Mobile and run a branch, and I asked two questions: 'What does a branch manager do?,' and 'Where is Mobile?'"
— David Turner

The decision was made to adopt LEAN when its one of its biggest clients, Bath Iron Works, decided to adopt the process, and in turn came to W&O Supply, one of Bath's major suppliers, with the plan.

"We have 42,000 SKUs, and this will help us to determine more effective and efficient inventory management and control," Turner said. Consultants from Logistics Resources International in Atlanta have been working with W&O supply employees to help identify and eliminate "non-value added" processes. Turner expects that the company will be able to achieve multiple money saving and efficiency enhancing ends simultaneously, such as determining the cost of obsolescence, more accurately determining the cost of transportation, and to provide more targeted and valuable sales information regarding percentage of sales from each product line.

"It really evaluates both sides of the ledger, and looks at the entire process from the time the order is received until the product/system is delivered," Turner said. "In the end, this will help to create a more efficient W&O Supply."

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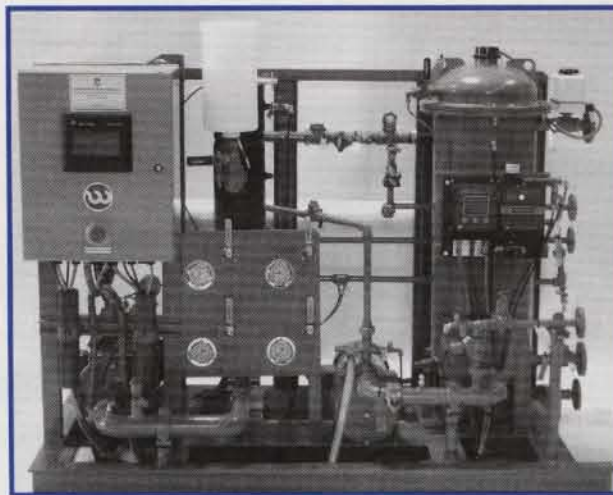


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Outlook for 2006

W&O Supply counts Government and Government-related business, and the commercial marine business as nearly equal partners accounting for approximately 80% of its annual sales.

In evaluating the coming year, Turner counts a strong backlog and the prospects of a much-improved U.S. Navy repair business as good signs for 2006.

To augment its traditional areas of strength, the company plans a strong push into the booming offshore market, bringing with it marine-proven copper-nickel pipe, SPACE valves, metric valves and a plethora of automation systems.