



CEOCFO

Interviews & News!

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ATC Is Writing An Exciting Growth Story With Their High-Rate-Of-Return On-Investment Logistics Business



Donald T. Johnson Jr.
Chairman and CEO

Bio: Mr. Johnson joined ATC Technology Corporation (ATAC) in January 2004. Prior to joining ATC, Mr. Johnson was Global Director, Parts, Supply and Logistics of Ford Motor Company.

During his career at Ford, Mr. Johnson was responsible for vision, mission, and strategy development for improvement and execution of all aspects of the global service parts supply chain performance. He was also responsible for the associated budgets for Ford, Lincoln, Mercury, Land Rover, and Jaguar brands. Annually, Mr. Johnson managed \$6.0 billion in cost, \$1.0 billion in inventory, 7,500 employees, and 60 facilities delivering 160 million orders to 15,000 dealers. During 1999-2003, Mr. Johnson launched a comprehensive “lean/improvement” strategy resulting in recognition for Ford as “Best In Class” in the service parts industry and annually reduced costs \$80-\$100 million, reduced inventory by \$400 million, annually improved productivity by 7%-10%, and oversaw a 30% reduction in personnel.

Prior to Ford, Mr. Johnson held executive positions at Caterpillar, Inc. spanning a 26-year career. In his most senior position as Vice President, Caterpillar Logistics, Mr. Johnson was a member of the administrative management team overseeing profitable growth at a 20%-25% annual rate. He successfully reduced costs 5%-20% while improving end-customer satisfaction 10%-30% for clients.

In his first four years with ATC, the Company achieved a 13% CAGR growing revenue from \$367 million to \$530 million. Mr. Johnson has successfully diversified the customer base, grown the Logistics business from \$81.7 million revenue to \$294 million and instituted the disciplined pursuit of operational excellence and customer satisfaction. In 2006, Mr. Johnson developed a three-year plan for the Company’s growth.

Mr. Johnson holds a BA in Management from the University of Illinois with an Associates Degree in IT. Mr. Johnson is a member of ATAC’s Board of Directors.



Todd R. Peters
President and COO

Bio: Mr. Peters joined ATC Technology Corporation (ATAC) in March 2004. In his current role, Mr. Peters is responsible

for all aspects of the Company’s overall day-to-day operations, as well as directing the Company’s IT organization.

Since joining ATC, Mr. Peters has helped drive business results that allowed the Company to complete a successful secondary offering of its common stock in March 2005 that resulted in the complete exit of the Company’s former equity sponsor, Aurora Capital Group. Mr. Peters has played an integral role in partnering with the CEO to develop and execute the Company’s overall business strategy. Over the past four years, the Company’s revenues have grown at a 13% CAGR. During this period, Mr. Peters has led the continued focus on cash flow through asset utilization, cost reductions and diligent cash management that has allowed the Company to reduce debt to zero and thus improve liquidity and flexibility to fund its future growth.

Prior to joining ATC, Mr. Peters was EVP and Chief Financial Officer of TriMas Corporation, a \$900 million diversified manufacturing company. Key accomplishments at TriMas include the successful \$875 million recapitalization to fund the purchase of TriMas Corporation from Metaldyne Corporation, the successful acquisition of five businesses with a combined value of \$244 million, and the development and successful execution of a comprehensive and multi-phased plan to eliminate \$29 million in annual operating costs.

Prior to TriMas, Mr. Peters served in increasingly responsible financial positions with Dana Corporation and Coopers & Lybrand. During his seven-year tenure with Dana, Mr. Peters served in a variety of roles including Vice President of Finance for Dana’s Fluid Systems Group

and Director of Operations for the Long Manufacturing Division and chaired the leadership position in a global project to improve working capital that resulted in a \$300 million improvement in cash flow. Mr. Peters also played a key role in the development and execution of a strategy to grow an international Tier-one automotive supplier business from \$250 million to \$1 billion in sales during a three-year period. Prior to Dana Corporation, Mr. Peters served numerous global automotive and manufacturing clients during his nine-year tenure with Coopers & Lybrand.

Mr. Peters holds a BS in Business Administration from Central Michigan University and is a Certified Public Accountant and a member of the AICPA, MACPA and FEI.

Company Profile:

ATC Technology Corporation is headquartered in Downers Grove, Illinois. The Company provides comprehensive engineered solutions for logistics and refurbishment services to the consumer electronics industries and the light and medium/heavy-duty vehicle service parts markets.



**Consumer Goods - Auto Parts
(ATAC-NASDAQ)**

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Interview by-Lynn Fosse, Senior Editor

CEOCFO: Mr. Johnson, there have been some changes in ATC Technology Corporation recently; what is your focus today?

Mr. Johnson: "The focus continues to be driving growth and improving shareholders' value. We launched that initiative back when the new management team - Todd Peters and I - joined back in early 2004 and that has been our mission ever since. Some recent changes you have seen

such as moving Todd from the CFO to the COO position are in support of our management development and professional planning processes but also in recognition of our drive to increase revenues and increase business, so we have to further strengthen our already significant management team that is in place."

CEOCFO: What will you be able to focus on as CEO now that Todd is going to be president and COO?

Mr. Johnson: "From the CEO and chairman point of view, I will be focusing on continuing to drive shareholder value by working on further refinements to our longer term plans. Every February, we initiate a three-year plan that refreshes the previous year's plan, informing the marketplace where we are taking the company and how we will support the growth initiative; up until this point it has been primarily an organic plan. We are also looking for opportunities for tactical acquisitions that would augment the organic strategy."

CEOCFO: Mr. Peters, what is your role today as president and COO?

Mr. Peters: "Definitely my focus is to work with the operations and a couple of other things. The first is to deliver our short-term operating plan for 2008. We give annual guidance and job-one is to deliver on that promise that we have put out in front of our shareholders. Also, in support of that from an operating perspective is to continue to grow the business organically and to look at additional markets where our services can be used. If you look at our logistics business, we are a leader in the wireless product segment in terms of logistics and electronics. We have a great position in consumer electronics and automotive electronics. We will now work with the business development team to look at other adjacent markets where our services could apply, such as medical equipment. On the Drivetrain side of our business, it is to continue to grow. We are a leader in re-manufacturing of light vehicle transmissions. We have a small position with engines. We think there is opportunity to grow there and we think there is opportunity in both segments to grow geographically outside of our basic US footprint; first into Europe and also into Asia."

CEOCFO: Logistics will be a focus going forward; please tell us more about that area of the business.

Mr. Johnson: "Since joining in 2004, we knew we had a fantastic business except for the fact that it used the wrong pricing models. We refocused the team and started growing dramatically. What we want to do now is expand the markets and the customers that we serve. Up until this point in time we have been predominantly a wireless provider-a wireless logistics services provider-focusing on the OEMs that provide wireless devices and also the carriers. In 2006 and 2007, we broadened that to consumer electronics, broadband and cable. We want to continue to load our new business opportunity pipeline and drive growth. If you think about the last four years, our growth has been in excess of 37%, we expect to continue that tradition of growth in the logistics business."

CEOCFO: What is a typical contract; what are you providing and on what basis?

Mr. Johnson: "Think of third-party logistics and specifically value-added warehouse distribution space. The three functions that we perform are: forward services for fulfillment, getting our customers' products out into the market place either through a direct channel or a bulk distribution channel, where it would go to retail shops. The second thing we do, which is extremely important for high-value serialized items, is returns management and that entails taking returns, whether for insurance programs, an upgrade, or some other return, and reprocessing the item and getting it back into the marketplace. Within that return cycle, sometimes they've embedded a repair service. In the case of a cell phone, we will repair that cell phone and put it back into the distribution channel as a future warranty replacement. This represents an extreme amount of value for carrier customers like AT&T, because you can be sure that you as a consumer may have paid less than a hundred dollars for that phone when you signed up for your contract, but AT&T paid far more for that phone when they bought it from Motorola, or Samsung. So we provide that value, make it like new and save them

significant amounts of money in the supply chain.”

CEOCFO: You have had substantial growth; what is the financial picture for you and how do you continue?

Mr. Johnson: “Annually, we provide a three-year view for the company. In February of this year, we said that in 2010 we could achieve \$750 million run rate in terms of revenue and now our view translates into double-digit figures for both revenue and operating income. We are doing that by continuing to grow the logistics organization, driving growth and opening up new markets in Drivetrain and logistics. Todd talked about some of the new markets that we are pursuing in the Logistics arena, we also are trying to pursue not only light-duty but also medium and heavy-duty growth in both markets in Drivetrain.”

CEOCFO: What is the competitive landscape for you?

Mr. Peters: “The competitive landscape is very interesting. On the 3PL warehouse and distribution segment that we participate in, it is a \$23 billion a year industry. If you think about our company finishing last year with \$294 million in revenues, we are one of the top 100 3PL providers, so named by the industry associations that are out there. If you put those two thoughts together it is equally a very fragmented and very diverse competitive landscape. We think that is great because we have a professional, high quality service offering and find ourselves competing against (in many cases) firms smaller than us and not very sophisticated. We also compete with firms that are quite a bit larger than us such as companies like UPS and FedEx. What we found is they are not as nimble and able to develop customized service offerings that specifically meet their clients needs and they try to force-feed an out-of-the-box solution. We find that to be a great place to compete for customers’ business.”

Mr. Johnson: “On the Logistics side of the business in terms of competitors, if you roll up the top five competitors in the industry that Todd just described, they have less than 5% market share. That is

how fragmented this industry is. Therefore, we play very well with not only the large firms but also the smaller players in terms of the total value proposition as we fine-tune and take cost out for our customers across their entire supply chain. “

Mr. Peters: “On the competitive landscape on the Drivetrain side, we are the world’s largest independent remanufacturer of automatic transmissions. We don’t even have a close number-two at this time. There are some family-owned businesses and there are some vertically integrated competitors, but they play in very small areas. There is no one that has the breadth of brand and the amount of capability that we have.”

CEOCFO: How does the current economic landscape help or hurt ATC?

Mr. Johnson: “If you look at the current

“We have a great group of investors now and we are looking for more opportunities to talk to people who are interested in our story; it is one of significant organic growth, very good returns from our ROI capital point of view, and profitable growth. We have very good margins as you can see from our financials. We are excited about continuing that progress as we move toward our three-year target of \$750 million revenue run rate exiting 2010. We are also well positioned to augment these organic growth plans through tactical acquisitions. I think we have a winning story going forward.” - Donald T. Johnson Jr.

economic landscape, I hate to say that we are recession proof, but I will share some conclusions with you that may lead you to that point. One, on the Drivetrain side of this business, if you think about the fact that we provide products to our customers who then turn around and distribute them in the Aftermarket side of the business, they actually service the vehicles that are in the vehicle population and are being driven by consumers today. You will see some new vehicle sales soften during this recessionary period this year and maybe even next year. That doesn’t affect us until a few years out as that becomes part of the vehicle population. Therefore, the vehicle population today both on the light and heavy-duty side continues to grow and that is the market that we serve through our OE sales channels.

On the Logistics side of the business, at one point in time I felt and was worried

about the fact that a cell phone, a PDA, or some of the higher end wireless devices, may be a discretionary purchase. But I have a couple of sons who are in their lower to mid-thirties and I thought that they were tied to landlines like I am being over 55. However, what I found to the contrary is that the wireless device now is a part of our life. It is about safety, communication (whether it be voice communication or through messaging), and email. And, increasingly, we get more and more of our entertainment whether it be pictures, videos or other things such as music via these devices. So initially I thought that this wireless device was more or less a discretionary purchase in our culture, but now and I look at the fact that my sons don’t even own a landline. These cell phones and other wireless devices are a necessity of life and an integral part of our culture going forward.

At one point, I thought the recession might affect cell and wireless devices and services but we are finding out that market continues to prosper even with the economic problems we are experiencing. The fact that we have added additional markets also has helped when you think about the fact that we are moving into broadband and cable which is a necessary part of today’s life in terms of communication;

then you think about medical devices, we will require more and more solutions for the medical environment for electronic monitoring of our health going forward. We are well positioned going forward.”

CEOCFO: Please tell us about your facilities.

Mr. Peters: “We are predominantly US based with only \$20 million of our revenues overseas, so we have a small position outside of the US. We would like to grow internationally. We have manufacturing facilities in Oklahoma, and Missouri. We have a facility in England. We are putting a facility in the Czech Republic in late 2008-early 2009. We are reaching into the European market and it is being extremely well-received by our customers. Our logistics operation was primarily in the central time-zone area. We service the US out of there. We also have

seen the need to expand our reach in the NAFTA market first and are working on expanding our operations first in Mexico, then Canada. We have global partners, if you think about the names of the companies that we represent such as TomTom. We think that with some of these companies (as we continue to develop our relationships) we will follow them overseas to provide logistic services.”

Mr. Johnson: “To support our logistics operation, we are buying about \$50 million in products from Asia Pacific sources. Therefore, we are already involved in logistics from a global perspective and now we are trying to move services to more regions across Europe and we are seriously looking at Asia Pacific.”

CEOCFO: Do you see acquisitions in your future, or consolidation in your fragmented industry?

Mr. Peters: “Yes. I want to add to Don’s comment on our financial condition. Over the last five years we reduced our debt position by over \$160 million. The first quarter was a solid balance sheet and as a result, at the first part of the year our board of directors gave us a vote of confidence in our growth, authorizing a \$50 million stock repurchase for 2008. So that is to speak to the kind of cash flow of the business. What we have been telling people is the last few years have been our organic growth phase and Don talked about 37% plus growth in logistics this year. There are also ‘customer acquisitions’ so to speak that we have in Drivetrain in terms of growing our relationships and adding ALLISON as a customer and the most recent new customer would be Borg-Warner. Therefore, when you look at that we feel that we are firing on all cylinders. On the other side, in terms of customer acquisitions, we think that with our balance sheet and our service offerings we are ready to make acquisitions. We look at them on both sides of the aisle but we have a special interest on the logistics side.”

CEOCFO: What do you see as the biggest challenges going forward and how

are you ready?

Mr. Johnson: “The biggest challenge I see is how to continue to staff the organization with high quality professionals, whether it be on the Drivetrain side of the business or Logistics as we drive growth. We have a pretty robust management-development and succession planning process which helps us do that. You have seen recent announcements of us bringing on people like Rick Stanley, the Drivetrain president. We also brought on another individual to be vice president of Logistics (Antony Francis now promoted to President ATC Logistics and Electronics, succeeding Bill Conley who is retiring) and aid in that growth and of course, Todd’s promotion to COO helps us in the organization. To date, we have not been hampered by that in terms of our acceler-

“Let’s start with our name, because our name doesn’t engender a quick understanding of what we are. People that might have overlooked us in the past, think about us as being a distribution parts company and maybe doing some transmission remanufacturing. We would like people to focus on the fact that our logistics business, which is high return on invested capital (more than double that of our Drivetrain business), is a high growth, low capital intensive business. It has more than tripled under our leadership in the last four years and we expect it to continue to grow at high rates into the future.” Note: Since this interview, the Company has changed its name to ATC Technology Corporation to better reflect who it is today.

- Todd R. Peters

ated growth. We will continue to support our growth with highly qualified professionals. From the labor point of view, we have been very successful in bringing on labor. I think the biggest challenge will be making sure that we are still ahead of the curve in terms of stocking the organization with the right amount of professionals going forward to support the growth initiatives that we have in the marketplace.”

CEOCFO: Why should potential investors be interested now, and what might people overlook that they need to understand about ATC?

Mr. Peters: “Let’s start with our name, because our name doesn’t engender a quick understanding of what we are. People that might have overlooked us in the past, think about us as being a distribu-

tion parts company and maybe doing some transmission remanufacturing. We would like people to focus on the fact that our logistics business, which is high return on invested capital (more than double that of our Drivetrain business), is a high growth, low capital intensive business. It has more than tripled under our leadership in the last four years and we expect it to continue to grow at high rates into the future.” Note: Since this interview, the Company has changed its name to ATC Technology Corporation to better reflect who it is today.

Mr. Johnson: “You think about the portfolio of a manufacturing company and a high-powered growth logistics company in the consumer electronics industry, and if you think about investors and where they decide their next investment dollars go, they have a hard time looking at this business. Investors should look at our high-growth potential and the great success we have had so far to really focus their attention on our businesses and where we are taking the businesses. I think investors are going to get a really deep view of us. We are really excited about the potential to get the new ATC going out on the street.”

CEOCFO: Final thoughts? What should people remember most about ATC?

Mr. Johnson: “I am very excited and proud about what this company has done. I am excited about our future going forward. All that will be laid out on investor day on June 3rd. We have a great group of investors now and we are looking for more opportunities to talk to people who are interested in our story; it is one of significant organic growth, very good returns from our ROI capital point of view, and profitable growth. We have very good margins as you can see from our financials. We are excited about continuing that progress as we move toward our three-year target of \$750 million revenue run rate exiting 2010. We are also well positioned to augment these organic growth plans through tactical acquisitions. I think we have a winning story going forward.”