

Now the Third Largest Light Trailer Manufacturer in the United States and the Number One or Two Largest in Canada with their Sure-Trac Brand, Novae Corp. has been able to Grow Dramatically in an Industry that has been shrinking



Steve Bermes
CEO

About Novae Corp.:

Our mission is to grow our business by delivering superior products and outstanding service. We embrace a culture of integrity, personal responsibility, urgency, perseverance and teamwork as we strive to create competitive advantage and outperform market rivals. We make and meet aggressive personal and organizational commitments and respectfully challenge each other to reach our goals. We pursue strategies that provide long-term profitability which attracts reinvestment and provides ongoing opportunities for growth, development and reward for employees, suppliers and our community.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

Industrial Manufacturer



CEOCFO: Mr. Bermes, would you tell us about Novae?

Mr. Bermes: Novae Corporation was started in 1995. We originally started with lawn and garden care equipment. In 2001 we started making utility trailers and the business has grown substantially since then. We are now the third largest trailer manufacturer in the United States and we believe that we are either number one or number two in Canada.

CEOCFO: Could you tell me a little bit about the trailer industry in general?

Mr. Bermes: The industry segment we participate in is considered light trailers; that means trailers that are less than twenty six thousand pounds. It is made up of anything from a little trailer that you might put behind a passenger car that would haul a lawn mower, a little two thousand pound four foot by eight foot trailer, up to 53 foot trailers that would be used behind a large dump truck to haul a back hoe or a small bull dozer. We now also manufacture forty thousand pound trailers that get into the heavy trailer segment. We make primarily open

utility trailers but also participate in the enclosed trailer category as well.

CEOCFO: Why does someone want a Novae trailer as opposed to another competitor?

Mr. Bermes: We sell trailers under the Sure-Trac brand that represents a very good product with a great warranty and very good service. Dealerships really enjoy our attention to making sure the trailers are right and getting what they ordered when they order it.

CEOCFO: Manufacturing is considered to be on the downswing here in the US. What have you figured out in order to be as successful as you have been?

Mr. Bermes: It appears to me that, in the US, certain kinds of manufacturing are definitely out of favor right now, and that is basically anything that can be manufactured over there or is of low technology. In our case, manufacturing trailers has as much to do with logistics and transportation as it does the actual manufacturing process. To bring trailers in from overseas, or even other countries across land like Mexico, is a rather expensive thing to do. Certain kinds of manufacturing have not been impacted as much. In fact, in the auto industry you will see that anyone that wants to sell any significant number of cars in the US actually makes them here. Therefore, because of logistics we have not been impacted in a big negative way by the offshoring process. We benefit in that nearly all the components that go into a trailer come from China. However, we have seen a trend lately that certain com-

ponents are being manufactured in the US again. We consider that to be quite beneficial, because it is easier for us to manage the supply chain when it is in the US.

CEO CFO: Would you tell us a little about the market for your other products?

Mr. Bermes: Lawn and Garden equipment is a very small part of our business but has produced steady income and opportunity for us since we started the business. Our agricultural products business has been growing steadily in the face of many challenges in the farm equipment market.

CEO CFO: What is new in trailers? Has there been an evolution?

Mr. Bermes: Speaking of evolution; let me give you my perspective on the product life cycle of the trailer. When people started moving things around they found that putting things onto a platform was an easy way to drag it around. That was actually the reason that someone came up with the wheel, to make the platform easier to move. Therefore, trailers have literally been around since before the wheel. That might give you some idea that this is a rather mature product. What is new in our business is the standards with which trailers are manufactured and the technologies that are used today. In the past four or five years we have seen most of the larger manufacturers going from liquid painting to powder coating. We have seen the quality standards and the expectations of the dealers rising quite a bit over the last ten years, to the point where almost all trailers that arrive on a dealer's lot are something that can be immediately resold to the end customer. That might be a surprising thing to hear, but ten years ago roughly one third to a half of all trailers that dealers were received had some kind of issue that needed to be resolved before the trailer could be sold. That is a huge change in our industry over the past ten years and we expect that trend to continue.

CEO CFO: Novae is a leader in Canada and in the US. How do you get

more people to buy Sure-Trac? Do you do much advertising? Is it the dealers that handle that end of it?

Mr. Bermes: We do not do a lot of direct advertising, but we advertise in the markets we serve through dealers. We provide good information on our website, as well as tools that dealers like to use when they are selling and merchandising our products; like very nice literature that is well organized and easy to use in the sales process. We also do some Co-Op advertising with dealers.

CEO CFO: Would you tell us about your manufacturing facility?

Mr. Bermes: We manufacture in three locations near Fort Wayne, Indiana. First, our headquarters site is in Markle where we have sixty thousand square feet. In North Manchester we have eighty eight thousand square feet, and in Columbia City we have one hundred and fifty thousand square feet.

CEO CFO: Is Indiana favorable to business?

Mr. Bermes: We think it is. It has been very easy for us to work with state and local people to get any of the permits that we need; any of the zoning requirements, etc. It has been very favorable for us.

CEO CFO: Will you need to expand your facilities at all, should business "uptick"? Are you pretty well set where you are for the foreseeable future?

Mr. Bermes: We have been growing. Basically, our whole history has been one of growth. It depends what you mean when you say "uptick". Our revenue over the last eleven years has averaged twenty-five percent growth a year. We continue to see demand for new facilities and new production capabilities. In fact, one of the things we are doing right now is capacity planning. We expect our business to continue to grow and we are expanding facilities to accommodate that.

CEO CFO: Are there newer technologies in manufacturing that you are able to take advantage of as you expand?

Mr. Bermes: Nothing that we use is cutting edge manufacturing technology. We use very basic tools in our process. The advances that we are dealing with right now within the trailer industry mainly have to do with coatings. We are developing some proprietary products that may, in the future, eliminate some of the steps in the process. We are work more on product design than what type of manufacturing technique we might use to build a product.

CEO CFO: I see from your website that giving back and community is important for you. What are some of the other specific areas and organizations that you support? Why is giving back important for Novae?

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- Steve Bermes

Mr. Bermes: We strongly believe that all the stakeholders in our business are important to the health of the enterprise, long term. The community in which we operate is part of that stakeholder group. We have always seen that it is a good thing to be friendly with your neighbors, as you might say. The people we attract are giving and supportive of those who have less. Therefore, it is in our nature and part of our culture to support organizations in our communities that are doing good works and making a difference. We like to make sure that our donations are going where we want them to go, and that everything is being done in a way that we feel is beneficial to the community.

CEOCFO: Why should investors and people in the business community be paying attention to Novae?

Mr. Bermes: We have been able to grow dramatically in an industry that has been shrinking. This year the industry had a small uptick, but for five years in a row this industry was shrinking. Our business has just about quadrupled in that time frame. We are advancing the state of the art in the industry, mainly by delivering a much

higher level of service to our customers than they can get otherwise. We are not a publicly held company, therefore I cannot say why some would be interested for investment purposes, but we certainly think that the way we are going to market is going to continue to be successful. People sometimes ask, "What is the secret to your success?" My opinion is that business is not all that complex. There are certain complexities that

come in, but when you get right down to it, people want to buy something that works well when they buy it. If you can do that well and consistently, that is what wins new customers on a regular basis. It is actually quite simple from my perspective and the simpler we can keep it, the more successful I believe that we are going to be in the long run.



Novae Corp.

One Novae Parkway

Markle, IN 46770

260-758-9838

www.NovaeCorp.com