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GROWTH BY ACQUISITIONS: AN INTERVIEW WITH CHRIS ROSSI

***Editor's Note:** The following article is based on an interview with Chris Rossi, executive vice president, Product Services Worldwide at Dresser-Rand. Rossi discusses Dresser-Rand's recent acquisitions (see article on previous page), and how their integration will improve Dresser-Rand's ability to meet client needs.*

***insights:** On what basis did Dresser-Rand select Peter Brotherhood, Arrow Industries, Inc., and Enginuity LLC for acquisition?*

Rossi: One of our business strategies is to focus on acquisitions that strengthen and enhance our core capabilities, that add new products, services, and technologies, or that give us access to new markets or enhance our position in current ones. Each acquisition was consistent with this strategy.

Peter Brotherhood specialized in the design and manufacture of steam turbines, reciprocating gas compressors, gas engine-packaged combined heat and power systems (CHP), and gearboxes. Their primary clients are in the worldwide oil and gas industry, specifically marine and floating production, storage, and offloading (FPSO) vessels, refining, petrochemical, combined cycle/co-generation, and renewable energy industries. This acquisition is obviously complementary to Dresser-Rand's steam turbine and reciprocating gas compressor products and services. It just made good business sense for D-R and Peter Brotherhood to combine their technical expertise, R&D

capabilities, and worldwide sales organizations. With a manufacturing facility and strong presence in Europe, Dresser-Rand Company Ltd. (the purchaser of certain assets of Peter Brotherhood) strengthens our position in the European Served Area for reciprocating compressors and steam turbines – and it increases the size of our industry-leading installed base.

Arrow Industries, which has been folded into Dresser-Rand Field Operations, was recognized as a premier provider of foundation and mechanical services for reciprocating engines and compressors used in the North American pipeline industry. Dresser-Rand and Arrow Industries had worked together in the past, and each company has decades of experience in the energy markets. The acquisition of Arrow Industries specifically enhances our ability to better serve the pipeline industry, but also improves our position in other markets. In turn, it affords Arrow the opportunity to expand its current capabilities with support from the resources and solutions of a technology-leading OEM such as Dresser-Rand.

Enginuity has long been known as the technology solutions leader for reducing gas-fired engine emissions, and for engine and compressor controls and monitoring for gas transmission in North America. Enginuity strengthens our engine technology position and value proposition in the gas transmission market, and enhances our Applied Technology capabilities (applying Dresser-Rand technology to other OEM equipment). Perhaps most importantly, it will enhance Dresser-Rand's role in reducing CO₂ emissions from compressor systems. Dresser-Rand's highly engineered

products and global sales and service support capabilities provide a platform to expand on Enginuity's vision of 'bringing energy and the environment into harmony.'

In connection with the acquisition of Enginuity, we've established a Gas Engine Technology Center in Fort Collins, Colorado, which has served as Enginuity's headquarters since 1999.

***insights:** In your view, what are the most critical integration issues facing D-R and their effect on providing seamless service to clients, both from the perspective of Dresser-Rand's clients and the client bases of Peter Brotherhood, Arrow, and Enginuity?*

Rossi: Among our greatest challenges for the three acquisitions are integrating sales channels and organizing to capture the "synergies," or value we expect to create by combining businesses. These acquisitions were targeted because we saw opportunities to better serve our clients by adding talent, complementary services, and market-leading products to fuel additional growth for Dresser-Rand. Some sales personnel from the acquired companies manage the same client relationships, and may have overlapping territories or serve slightly different roles than their D-R counterparts. Moreover, the client-facing personnel of each company need to be versed in the full breadth of products and services of the others to successfully bring them to market. So, to seamlessly serve our clients and capture growth opportunities made possible by the acquisitions, we have to move quickly while being smart about integrating the client-facing personnel into Dresser-Rand's existing

aftermarket and new unit sales organizations.

insights: *Was there any consolidation or merging of offices, service centers, or manufacturing space following the acquisitions?*

Rossi: No. The acquired companies' footprints complemented D-R's existing footprint well. Moreover, the capacity represented by the talent and facilities of the combined companies will satisfy clients and support our growth objectives.

insights: *We're hearing more and more about emissions control and "green" initiatives in the energy industry, and emissions control is one of Enginuity's strengths. How is Dresser-Rand adapting its products and solutions to be more environmentally friendly and meet tighter emissions standards?*

Rossi: There's no doubt that global demand for energy continues to grow. And when people think about the oil and gas industry, they don't necessarily associate that with "clean and green." However, Dresser-Rand has exciting prospects for providing environmentally friendly solutions for oil and gas production and processing, and for supplying equipment for coal-related processing such as coal-to-liquids, coal-to-gas, and CO₂ sequestration.

Dresser-Rand is committed to responsibly addressing climate change and greenhouse gas emissions. Emission control is at the heart of Enginuity's core competency and, as such, the incorporation of Enginuity's products and expertise helps us in a major way.

Enginuity's solutions reduce many pollutants, including NOX, CO, hydrocarbons, hazardous air pollutants, and greenhouse gasses which include both hydrocarbons (primarily methane) and CO₂. In fact, Enginuity's solutions reduce NOX emissions by about 120,000 tons a year and greenhouse gas emissions by more than 100,000 tons a year.

We recognized early that Enginuity had a great deal to offer in meeting emissions standards—and in getting business. Joining Dresser-Rand gives Enginuity the global stage it needs to grow in a larger market, especially considering Dresser-Rand's large installed base of integral gas engines. With the impact that these solutions already have on clients, Enginuity has the experience and the necessary relationships to guide D-R's move into this important market.

Dresser-Rand Company Ltd. has an installed base of proven and efficient combined heat and power (CHP) packages configured to provide secure power, heating, and cooling services tailored to the needs of each installation. Some of the CHP installations also enable the use of biofuels such as digester gas, bio-diesel, and landfill gas. Dresser-Rand Company Ltd. also has developed, tested, and patented the design of a power take-off module that captures energy from ocean waves for offshore and onshore applications using oscillating water column (OWC) technologies.

Dresser-Rand also recently invested in Ramgen Power Systems, LLC, a development-stage company with highly efficient compressor technology designed to compress, capture, and sequester carbon dioxide. We're actively pursuing

the emerging CO₂ compression market as it applies to carbon capture and sequestration, or CC&S. And the Ramgen compressor technology is projected to reduce the capital costs of CO₂ compression, one of the most expensive aspects of this process, by as much as 65 percent and produce a minimum of 25 percent operating cost savings. We believe this emerging market and the growing market for enhanced oil recovery will together represent a multi-billion dollar per year market potential for Ramgen's CO₂ compressor.

So all in all, we're pleased with the environmental solutions promise of our acquisitions.

insights: *When you look at the energy industry today, what other opportunities are there for mergers and acquisitions, either to grow the business in terms of new markets and technology or to expand Dresser-Rand's current products and services? Can we expect to see more acquisitions from Dresser-Rand as a part of your growth strategy going into 2009?*

Rossi: We believe acquisition opportunities remain, both in the areas where we compete today, as well as in adjacent products and services. As we develop and more clearly define our environmental solutions strategy, for example, we expect to identify several attractive companies and technologies that make sense for Dresser-Rand. We're excited about the opportunities to acquire additional aftermarket businesses that excel in markets that have not been a focus for Dresser-Rand in the past, and to acquire service capability on equipment contiguous to our compressors and turbines. ■