

Overton's recent purchase of Illinois Gear gives the company the ability to manufacture large-diameter spiral bevel gears.

Overton Gear

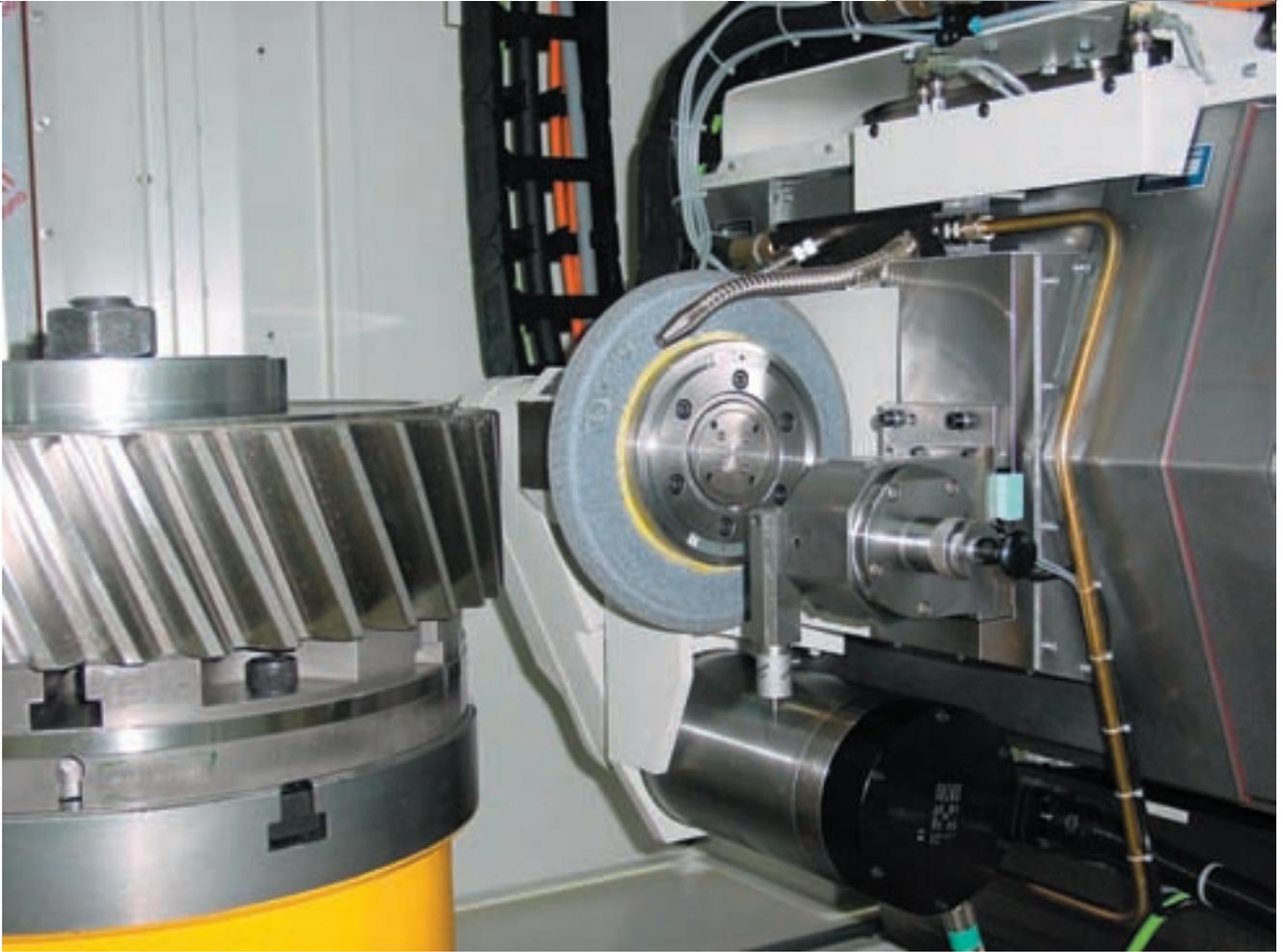
William R. Stott, Managing Editor



Most owners and managers of manufacturing companies would be ecstatic if they had recent growth like that of Overton Gear and Tool Corp. of Addison, IL. Through extensive investment in new machine tools and manufacturing capabilities, the company has achieved sales growth of 12–15% in each of the last three years.

But the employee-owners of Overton had their sights set higher all along.

“To get us to the next level, we felt that we needed to have a bigger impact than just this type of incremental growth,” says president Louis Ertel, who joined the company in 2002.



Apart from the acquisition of Illinois Gear, Overton has been investing for several years in new gear machinery, like this large-diameter Niles grinder.

M a k i n g I t B i g

To enable the company to reach that level, Overton's board of directors established a committee to pursue possible mergers and acquisitions. Recently, the work of that committee came to fruition.

The Big Acquisition

In May, Overton Gear completed the acquisition of the Illinois Gear division from Regal-Beloit Corp. The acquisition included the open gearing assets of the Illinois Gear operation located in Chicago. (Regal-Beloit retained the assets related to the Foote-Jones line of industrial drives, previously located at the same facility.)

"I think it's a big turning point for Overton Gear," says Ertel.

"It's the first time that Overton's gone out and done something like this."

The assets of Illinois Gear were attractive for a number of reasons. "We were running out of capacity here," Ertel says. "When I say out of capacity, it was mostly in the secondary operations—turning, milling, drilling and our heat treat operations. We were having trouble providing enough blanks for the hobbing machines and enough hobbled and hardened blanks for the gear tooth grinding machines."

The Illinois Gear equipment included large turning equipment, heat treat equipment and machining centers for doing the turning, milling and drilling work.

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Entering the Bevel Gear Market

But perhaps the most attractive part of the acquisition for Overton was the large bevel gear manufacturing equipment, much of which Illinois Gear acquired from Philadelphia Gear Corp. in 2001.

The equipment includes machinery capable of hard-cutting Klingelnberg gears up to 85" in diameter. "It's the ability to hard-cut gears after carburizing to provide quality gears," Ertel says.

"There's not too many people who can do that in large spiral bevels," he adds. "The two large Klingelnberg machines are fairly unique, because I believe there's probably only about three or four machines of that size in the world. There's no other ones of that size in the United States."

Overton's new equipment also includes Gleason machinery capable of cutting bevel gears up to 100" in diameter.

Moving Machines

Overton has already incorporated some of the equipment from Illinois Gear, including three heat treat furnaces, a Klingelnberg quenching press and a number of hobbing machines.

Incorporating the rest, including all of the bevel equipment, into Overton's operations is going to take some time, Ertel says. For many of the machines, the company will have to install new foundations and electric lines. "It's probably a three- to four-month project."

It's also a matter of space. Although the company owns three buildings at its current location and has room to add on if necessary, right now Overton's plan is to incorporate as much as it can into the existing facilities.

"We had a building on the property that was pretty much vacant," Ertel says. "We used it for storing some used machinery and raw materials. We've utilized that space for some of our smaller equipment to give us space for the big equipment that we're bringing in."

Reinvesting in the Business

Although the acquisition of Illinois Gear is the biggest single expansion Overton has undergone, reinvesting in the business has been a hallmark of the company's operation, says VP of finance Pete La Montagna, who has been with the company for 12 years. "Going back to day one, this company has continued to reinvest in itself," La Montagna says.

In 1998–1999, Overton Gear completed a major expansion of its heat treating capabilities, adding on to one of its three buildings and moving its furnaces there. The company also



purchased two new furnaces at that time and incorporated them into the operations.

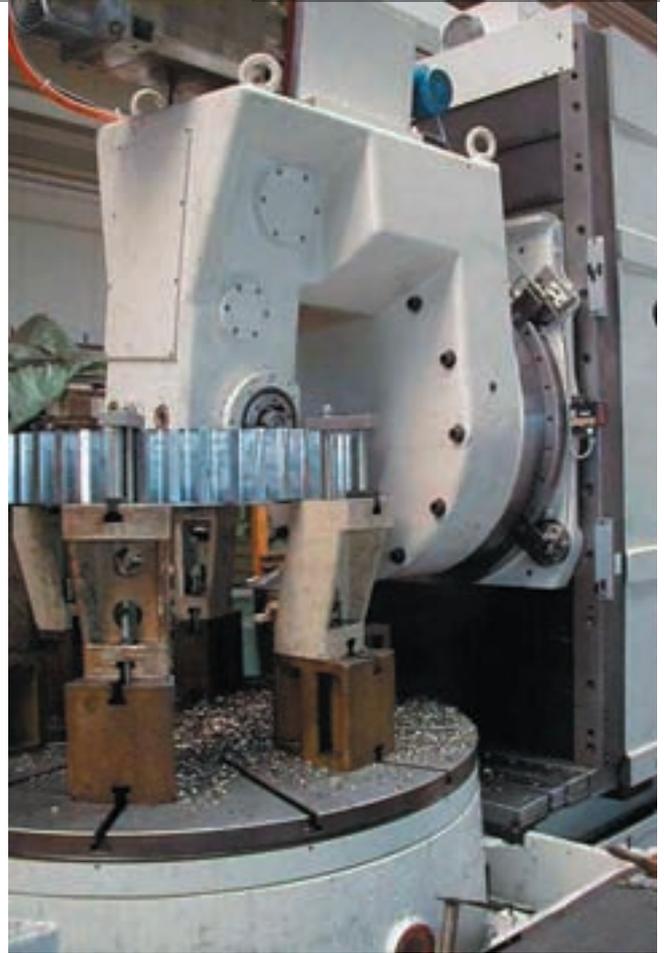
Since that expansion, La Montagna says, Overton has added three more heat treating furnaces.

The reinvestment has intensified since Ertel came on board. Over the past several years, Overton has purchased new gear manufacturing and heat treating equipment, spending an average of \$1.5–2 million a year, La Montagna says.

Significant additions have included a new gear tooth grinder every year for the last three years, as well as a large hobbing machine each of those years, Ertel says. That expansion in gear cutting machinery took Overton from a maximum outside diameter of 40" to its current maximum of 80" on spur and helical gears.

"We can go up to 80" diameter, internal and external," Ertel says. "We can grind teeth up to 60", internal and external."

The company has deliberately increased the size range of gears it offers. "I think you can be more competitive here in the States with big gears than you can facing some offshore



competition, where somebody can put 2,000 gears into a container and ship them over here,” Ertel says.

Reinvesting in the business also includes investing in the employees, says La Montagna. One of the ways the company does this is through training and education.

“We try to send at least a couple of people per year to AGMA’s gear school,” La Montagna says. He also notes that Overton offers a tuition reimbursement program for its employees who take courses related to their jobs.

Employee Ownership

In 1985, Overton Gear established an employee stock ownership plan.

La Montagna describes that as a major turning point for the company. “We’ve operated under an open book management philosophy since then,” he says. “The result is a greater sense of belonging among the employees.”

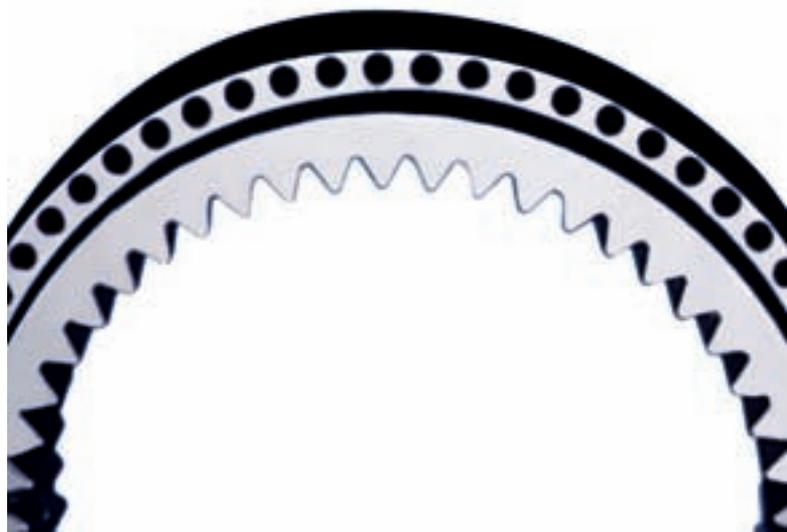
The open book philosophy includes quarterly meetings with all employees to review the company’s financial results. In recent years, the company has also posted performance meas-

ures, such as days’ sales outstanding, scrap and rework figures and other measures to show each department the effectiveness, efficiency and quality of its work.

Keeping Sight of the Past

Despite the significant changes the company has undergone over the last several years, Overton, which celebrates its 50th anniversary this year, has maintained a solid relationship with

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Capabilities

Main Industries Served

- Compressors
- Energy
- Locomotives
- Mining
- Off-Highway
- Wind Turbines

Gear Cutting	DP (Module)	Diameter	Face Width
Spur	48-1 DP (0.5-25 Mod)	1"-80" (24.4-2,000 mm)	Up to 39" (990 mm)
Helical	48-1 DP (0.5-25 Mod)	1"-80" (24.4-2,000 mm)	Up to 39" (990 mm)
Internal Spur	32-1.25 DP (0.8-20 Mod)	0.75"-80" (19-2,000 mm)	Up to 39" (990 mm)
Internal Helical	32-1.25 DP (0.8-20 Mod)	0.75"-80" (19-2,000 mm)	Up to 39" (990 mm)
Gear Grinding	DP (Module)	Diameter	Face Width
Spur	32-1.25 DP (0.8-20 Mod)	1"-60" (25.4-1,524 mm)	Up to 24" (610 mm)
Helical	32-1.25 DP (0.8-20 Mod)	1"-60" (25.4-1,524 mm)	Up to 24" (610 mm)
Internal Spur	32-1.25 DP (0.8-20 Mod)	6"-60" (152-1,524 mm)	Up to 13" (330 mm)
Internal Helical	32-1.25 DP (0.8-20 Mod)	6"-60" (152-1,524 mm)	Up to 13" (330 mm)
Bevel Gear Cutting	Diameter		Notes
Gleason Bevels	Up to 100"		Full capabilities for cutting, hardening & testing of conventional Gleason spiral, straight and skewed tooth gears using hypoid, Zerol [®] and Coniflex [®] designs.
Klingelnberg Bevels	Up to 85"		Hard-cut process provides up to AGMA 13 quality level with surface hardness of 58 Rockwell C or higher.

Heat Treating

Full-service, in-house heat treat department offering annealing, normalizing, carburizing, nitriding, hardening and cryogenics. Each furnace is computer-controlled for temperature and atmosphere. Shot blasting and press quenching are also available.

Inspection

Modern, climate-controlled gear metrology laboratory, capable of measuring to AGMA 2000, AGMA 2015, ISO 1328 and DIN 3960 standards. ISO 9001:2000 certified.

the customers it has served over the years. “If you look at our top 10 customers, they’ve been with us for many years,” Ertel says.

In fact, among the original parts manufactured by Overton were gears for locomotives. Recently, the company began a remanufacturing program to serve its locomotive customers. The result has been growth in sales, not just in the areas where Overton has expanded, but also among its traditional customers. “That’s been a very nice business for us,” Ertel says.

Moving on to the Future

But at the same time, the recent expansions in capacity—and the ability to manufacture larger and larger gears—have given the company more potential markets to serve. One of the key industries that need Overton’s larger-sized gears is the mining industry.

“We make a lot of internal and external gears for the mining industry,” Ertel says. “That’s been a good market for us over the last few years.”

But according to Ertel, Overton’s biggest growing market is gears for wind turbines. “We can supply all of the gears that would go into a wind turbine gearbox.”

Overton also makes gears for defense applications, compressor manufacturers, water separation equipment, heavy off-road equipment and other industries.

With the acquisition of Illinois Gear and its customers, the company now also has an even broader base. “With that new product offering comes an opportunity to service a whole new group of customers,” Ertel says. “Those customers, besides buying bevel gears, a lot of times also buy the helical and spur gears that we’ve always made, so it expands our product offering and expands our customer base at the same time.”

Although it will take some time for Overton to fully realize the benefits of the company’s significantly increased capabilities and capacity, Ertel and his group are already looking ahead. “We’d like to continue to grow the business and get to about double the size where we are right now, and we’ll do that through new customers, increased business with our current customers, and possibly through some acquisitions or purchases.” ■



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