

# Racing ahead

*Based in Austria with operations worldwide, publicly listed Pankl Racing Systems AG operates in two segments, Racing/High Performance and Aerospace, but is probably best known as an engineer and supplier of engine and drivetrain systems for Formula 1 racing and the high performance automotive industry. Pankl CEO, Wolfgang Plasser, explains what the main drivers of growth are in this market and which challenges and opportunities lie ahead.*

Founded in 1985 by Gerold Pankl, Pankl Racing Systems today is a leading engineering company with its own manufacturing operations. The company operates primarily in Asia, France, the United Kingdom, the United States, Italy, Germany, and Austria selling products including connecting rods, bolts/studs/nuts, pistons, piston pins, drivetrain systems, wheel uprights, and wheel hubs. Pankl entered the Formula 1 space in the year of its foundation, 1985, but it took them 15 years to become a real player says Mr. Plasser: "Formula 1 has extremely high barriers to new suppliers and as the sport has continued to professionalise, barriers have become even higher. So Pankl is part of an elite group. We work very closely with the engineers of the Formula 1 teams; there's

no moving boxes in this space. Every piston, every connecting rod, every bolt is customised to meet the engineers' specific requirements."

Mr. Plasser joined Pankl Racing Systems in 2004, as CFO, and was appointed CEO two years later. He previously held (financial) management positions at KPMG, Investment Bank Austria and Vossen AG, notably. He says that over the past seven years of his tenure at Pankl, they have made some important, strategic acquisitions including that of UK-based motor racing supplier Weymouth Pin Manufacturing Ltd, in 2007, which contributed the missing link between Pankl's core products connecting rod and piston, and that of Carrillo, the world's second largest motorsports conrod supplier, in 2008.



Carrillo, Mr. Plasser explains, had an excellent position in the US market and was the best known conrod brand in US motorsports. Another 2008 acquisition was that of Northbridge Motorsport Ltd, which is based in Leicester, UK. The company is specialised in the development, production and distribution of bolts used in motorsports.

Looking back at when he first started out at Pankl, Mr. Plasser points out that at the time, the racing business was very profitable. Major changes in the racing rules in his view were largely to blame for a sharp, subsequent decline, which of course wasn't helped either by the deep crisis the automotive industry found itself in, starting in 2007. Now that the rules have been changed again, and the automotive industry has (at least seemingly) fully recovered and investing in innovation again, racing also is once again on the up. This is reflected in Pankl's 2011 first half-year results. Revenues increased by 14.7% from €47.9m to €54.9m, with Racing/High Performance revenues, specifically, increasing by 15.3%. The Aerospace





Segment did well too but Mr. Plasser confirms growth is largely thanks to the racing segment developing very favourably. "Racing in general and Formula 1 in particular is driven by the marketing departments in the automotive industry," he points out. "Now that that industry has recovered, Formula 1 is going back to being the technological innovator, the pinnacle of motor-sports, and a pusher of the envelope. Pankl is benefitting from that, as reflected in our financial results. Nearly all racing categories have been benefitting from the excellent development of the automotive industry leading to a large number of new motor racing projects."

At the start of this year, Mr. Plasser was positive without reserve on the immediate future for Pankl, and he was planning on a year of aggressive growth. But the financial crisis in the US and Europe has put somewhat of a dent in his expectations and has put a hold on his acquisition plans. "At the moment we cannot assess the extent to which this will be negatively impacted by the current European and US debt crisis.

Until recently we were confident that we face years with very good growth prospects. These expectations were somewhat dampened and we will monitor future developments very closely."

While all of these developments are obviously out of Pankl's control, the company continues to focus on the development and production of engine and drivetrain systems for motor racing, high performance vehicles and aerospace. Its US-subsiary Pankl Engine Systems, Inc. earlier this year acquired crankshaft supplier Superior Crankshaft LP ('SP'). The company is based in Irvine, California, and was founded by Gerold Pankl in 2004. Gerold Pankl also founded Pankl Racing Systems and was their majority shareholder right up until 2004, explains Mr. Plasser. SP produces crankshafts for the high end motor racing market. Its customers are teams from all major racing categories, such as F1, Nascar, Le Mans prototypes, and DTM. So there's an overlap in customer base with Pankl, and, says Mr. Plasser, the SP product portfolio also is a natural fit. SP and

Pankl engineering teams have been working together for years so integrating products won't be a problem. "We've already got a virtually 100% market share in the racing market for our connecting rods and we want the leadership in the market for crankshafts," says Mr. Plasser. "With this acquisition we're an even more complete supplier to Formula 1 and other racing categories. We can now provide our customers with full systems capabilities for the entire crank assembly. In many customer projects our engine components (connecting rods, screws, pistons, piston pins and bearing shells) are combined with SP crankshafts. For these reasons we consider this acquisition a logical further step."



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