



## Sterling heads off-road

Lisa Gewirtz, The Deal  
Tuesday, November 29, 2005

Sterling Investment Partners LP has invested about \$40 million for a minority stake in GPX International Tire Corp.

GPX makes off-road tires used on construction and agricultural vehicles. The company, which is expected to have more than \$300 million in sales this year, began in September when Dynamic Tire Corp. of Toronto and Galaxy Tire and Wheel Inc. of Boston merged.

Westport, Conn.-based Sterling is betting the company's sales will grow over the next few years as countries such as China and India continue to industrialize.

Off-road tires are used on such vehicles as cranes and bulldozers, and their prospects are often tied to construction booms. Douglas Newhouse, a managing partner at Sterling, said demand has spiked as developing countries have been industrializing. He said the tires are in short supply.

The increase in demand caught many tiremakers by surprise, Newhouse said. Not only did they fail to invest in production before the trend began, but they also could not do so after the fact. The manufacturers were hampered by a high capital structure, particularly those companies with high healthcare and pension obligations, he said.

William Macey, another managing director at Sterling, said GPX can excel in this environment. The company does not have legacy burdens, and its costs are lower than those of many of its competitors because it mostly manufactures abroad, he said. It has a factory in Serbia, and it outsources the remainder of its tire production, mainly to China.

This is not the first recent deal in the sector. In October, One Equity Partners invested in an off-road tiremaker, Titan International Inc. One Equity bought Titan for \$18 a share and took it private in a deal valued at \$517 million, including debt.