

CEO CFO

 **PEERLESS Mfg. Co.**
MAKING ENERGY SAFE, EFFICIENT, AND CLEAN

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PMFG, Inc. Is Making Energy Such As Natural Gas Safer To Use, Safer To Transport And More Efficient In Power Generation Facilities With Their Separation And Filtration Equipment

Industrial Goods
Diversified Machinery
(PMFG-NASDAQ)

PMFG, Inc.

14651 North Dallas Parkway, Suite 500
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Peter J. Burlage
President and CEO

BIO:

Peter joined the Company in 1992. Mr. Burlage was promoted to Chief Executive Officer and President on July 1, 2006. Previously, he served as Executive Vice President and Chief Operating Officer since October 2005. Prior to this, he served as Vice President of the Environmental Systems business segment since January 2001. Mr. Burlage has also served as Vice President of Engineering from 2000 to 2001 and was the Company's SCR Division Manager from 1997 to 2000. Mr. Burlage earned his B.S. in

Mechanical Engineering from the University of Texas, Arlington and his MBA from Baylor University.

Company Profile:

PMFG, Inc. (Nasdaq: PMFG) is a leading provider of custom engineered systems and products designed to help ensure that the delivery of energy is safe, efficient and clean. We primarily serve the markets for power generation, natural gas infrastructure and petrochemical processing. Headquartered in Dallas, Texas, we market our systems and products worldwide under the Brand names of Peerless Mfg. Co., Burgess-Manning, Bos-Hatten and Alco Products.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Burlage, you have been CEO for about 2 ½ years now, how has the company changed under your leadership?

Mr. Burlage: "We have more than doubled in revenue size in the 2 ½ years that I have been CEO. In addition, we have become a multi-national company and not just a company that had an international portion of it, so there has been a lot of multi-national presence put in different countries. We have changed the culture of the company to more of a decentralized control center. We have established control systems or control philosophies that are more in line of basically delegating out some of the key responsibilities to the multiple executives throughout the company. So it is not all in just a central control. It comes around to the physical size of the company and the growth of the company and the number of people that are involved. There just cannot be such a

central control center that the company used to operate under."

CEOCFO: You are making energy safe, efficient, and clean; what do you actually do?

Mr. Burlage: "We actually make a lot of separation and filtration equipment to clean up the energy source. Predominantly, natural gas is the energy source that is used most often with our equipment, but it cleans up that energy, makes it safer to use, safer to transport, also much more efficient in power generation facilities. In addition to that, we also clean up the combustion of natural gas after energy is burnt in power plants or refinery applications or any process that combusts energy. We can clean it up with our SCR systems that reduce NOx emissions out the stack. Therefore, it is both an exhaust clean-up on the back side as well as a filtration and separation to clean up the energy as it goes throughout the entire distribution center of energy and natural gas as well as other processed gasses."

CEOCFO: Who is using your products today?

Mr. Burlage: "There is the gas companies, the transmission companies, the pipeline companies, the equipment manufacturers that manufacture the equipment that go into the natural gas infrastructure, as well as end users who are using natural gas as their feedstock or for their energy source at the plant. It is a wide diverse set of companies."

CEOCFO: What is the competitive landscape?

Mr. Burlage: "It is fragmented. There are a few large competitors that we run

into globally. There is also in each geographic region we find ourselves, small regional competitors and there are a high degree of knock-off or copiers out there that will try to replicate what we do.”

CEOCFO: Why are people choose Peerless?

Mr. Burlage: “Most of the reasons that people come to us is back to some of the basics, such as the quality, and the dependability, which are our two key factors. It is always going to be price-competitive, but in addition to having a really strong good product, a lot of our customers come back because they can rely and depend on us to provide them the equipment on time and in compliance with their requirements. Peerless’ strength comes from its knowledge and ability to apply this equipment to very complex and difficult applications, so we do have a competitive advantage over most of our competitors when it comes to very difficult applications. The majority of our business is primarily due to our service to our customer and the confidence that we provide to our customer that we will meet their requirements.”

CEOCFO: Would you please tell us about a typical installation?

Mr. Burlage: “The majority, over 80% of our business, comes from custom engineered to order products. These are projects that will come from specifications that are written and we design a component that fulfills those specifications on a bid basis. Over 80% of our business comes from that type of work. The rest of our revenue comes from more what I would call a build to print; in other words it is a set of standard products. It is standard filtration equipment that just has to be applied, so there is not a complete engineering cycle that it has to grow through.”

CEOCFO: Are there geographic areas that you would like to be in that you are not now?

Mr. Burlage: “There are regions. We feel that we need more presence in China

as well as more presence in South East Asia. We are serving the Middle-East out of our London office, however that is not optimal. We would like to have more presence in the Middle-East so that we could have more of a relationship and dialogue with our customer on a continuous basis, instead of just on a periodic basis. The majority of our business started where the natural gas is physically located and we follow all the pipelines and transmission of this delivery system from the well all the way to the end user.”

CEOCFO: How is business these days?

Mr. Burlage: “We have experienced a few years of significant uplift in our busi-

“Peerless is a 75 year-old company and we have been a public company for thirty years. It has been somewhat of a dormant company and the focus now is a focus on growth, not growth for growth’s sake, but growth in order to strengthen our balance sheet. This will enable us to take on larger projects, in order to grow the investors’ worth, and that is something that has changed significantly in the last five years. This is because the focus of management is now more on a business that is growing. Energy is becoming more and more important aspect of any government, any country and the safe use of that energy is very important, in addition to the cleanliness and the greenness of that energy. Those two factors, the energy and dependability as well as the cleanliness of that energy, are key drivers to embolden economic markets throughout the world.” - Peter J. Burlage

ness and it has continued to be strong. However, with the capital market situations and the global economic situations we are seeing some softening in that business in the coming quarters.”

CEOCFO: What is the financial picture like for Peerless?

Mr. Burlage: “Financially we are confident of where we are. We have been a public company, so that information is certainly out there. There is always the desire to want to improve on it, but we feel very comfortable of where we are.”

CEOCFO: Do you do much in the way of acquisitions, and do you see a trend toward consolidation?

Mr. Burlage: “Peerless has just begun some activity in acquisitions. Our growth initiatives look to acquisitions as being a method of growing the company. I definitely feel that our industry is going to go through some consolidation. In North America, our two largest competitors over the last year have been consolidated into other companies, so we have made some significant change in the last twelve months. We expect there will be some continuation of that.”

CEOCFO: Please tell us about research and development as well as any new products and services.

Mr. Burlage: “Peerless has retained a series of new patents and we continue to work at improving and advancing our application. Most of that comes through direct work with our customers and coming up with applications of products that will better serve their needs. So we listen to our customers needs, and working with them we have developed enhancements or modifications and improvements to our work. On the raw R&D work, from a brand-new concept, new technology, we really don’t focus on that; we are more focused on the advancement of our existing technology or changes and modifications to those technologies.”

CEOCFO: You mentioned acquisitions as part of your growth strategy; what do you look for in the next couple of years?

Mr. Burlage: “It is growth through serving new markets; it is what we would call organic growth and we look at that a couple different ways. One is taking our existing products and services into new geographic markets or new industries, so we are working on that both from a new industry standpoint as well as taken it to new geographic markets. We also are looking at taking in new products and new services into those markets as well. These are markets that we already serve, so we are trying to position ourselves and look for an opportunity to take additional products and services to existing markets.

Therefore, those are two of our organic growth projects that we have ongoing.”

CEOCFO: What are some of the services that you might want to get more penetration with?

Mr. Burlage: “An example would be the Chinese natural gas market in China. That is a geographic region in which presently we don’t have a scope of resources dedicated to that industry, nor are we serving that market segment to the level we would like to serve it. So that is an area that we have gone after and served in that market. We have a presence there in China in the nuclear power industry, but we do not have a presence in some of the other industries that we serve such as the gas industry and some of the chemical and petro-chemical industries, and we are working on that. That would be an example of taking some existing products into new markets.”

CEOCFO: You just recently opened a facility in China!

Mr. Burlage: “We opened the manufacturing facility in China predominantly to fabricate our equipment for the Asian market. We have quite a bit of work with a nuclear power generation business in China and we are going to build that equipment in the new facility that we have broke ground on. In addition to that, we also will provide separation and filtration equipment for the other markets in Asia.”

CEOCFO: Why should potential investors be interested today?

Mr. Burlage: “Peerless is a 75 year-old company and we have been a public company for thirty years. It has been somewhat of a dormant company and the focus now is a focus on growth, not growth for growth’s sake, but growth in order to strengthen our balance sheet. This will

enable us to take on larger projects, in order to grow the investors’ worth, and that is something that has changed significantly in the last five years. This is because the focus of management is now more on a business that is growing. Energy is becoming more and more important aspect of any government, any country and the safe use of that energy is very important, in addition to the cleanliness and the greenness of that energy. Those two factors, the energy and dependability as well as the cleanliness of that energy, are key drivers to embolden economic markets throughout the world.”

CEOCFO: You are in the right business at the right time!

Mr. Burlage: “It seems to be the position we are in.”

“We actually make a lot of separation and filtration equipment to clean up the energy source. Predominantly, natural gas is the energy source that is used most often with our equipment, but it cleans up that energy, makes it safer to use, safer to transport, also much more efficient in power generation facilities. In addition to that, we also clean up the combustion of natural gas after energy is burnt in power plants or refinery applications or any process that combusts energy. We can clean it up with our SCR systems that reduce NOx emissions out the stack. Therefore, it is both an exhaust clean-up on the back side as well as a filtration and separation to clean up the energy as it goes throughout the entire distribution center of energy and natural gas as well as other processed gasses.”

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