



SUNNEN



SECTOR
ENGINEERING & INDUSTRIAL

REGION
EUROPE, AMERICAS, ASIA-PACIFIC

Based in St.Louis, Missouri, United States (US), Sunnen Products Company is a global leader in the design, manufacture and distribution of bore sizing and finishing machinery, abrasives, and tooling. Its honing products are used in the sizing and finishing of cylindrical bores of all sizes for internal combustion engines; in mechanical gears; in hydraulic valve bodies, blocks, and cylinders; and in petroleum extraction tubes, among others.

The company's prime markets include automotive and transportation, construction, mining, aerospace, firearms, and energy. Customers range all the way from small, owner-operated machine shops up to large, publicly-traded original equipment manufacturers.

A FAMILY AFFAIR

The business has grown substantially since founder Joe Sunnen and his wife Cornelia sold their first valve lifting tool from the back of their converted automobile in 1924. They took the Sunnen dream on the road with little more than ten dollars in their pocket, but today the dream is alive and well: nearly a century later, Sunnen is the largest integrated precision bore sizing company in the industry - and still a family business.

Staff now number 450 in St.Louis, where specialist industry skills and experience characterise the workforce. What is more, the Sunnen family values mean that the health and welfare of employees come first, and their talent and success is appreciated and celebrated. The consequence is long tenure and low turnover of a loyal and motivated staff.

Revenue worldwide is now in excess of USD 100m, with half of that coming



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from customers outside of the US. As well as primary manufacturing in the US, Sunnen employs an international workforce of 200 overseeing smaller manufacturing operations in Brazil, China and Switzerland, plus distribution subsidiaries in Belgium, the Czech Republic, France, India, Italy, Poland, Russia and the UK.

PARTNERS IN GROWTH

In 2016, the UHY international network celebrated its 30-year anniversary. Over that time UHY has expanded its US-UK collaboration into a global presence, helping countless clients to not only grow domestically but also move successfully into foreign markets. Sunnen Products Company has been a client of UHY's member firm in the US for almost the same length of time. UHY LLP in St. Louis, US, provides the company with audit, tax and consultancy services, and has been there from the beginning of Sunnen's own international journey.

UHY LLP's audit and assurance partner in Missouri is Jerry Townsend. "It is very satisfying being able to help a longstanding domestic client to expand its operations overseas," says Jerry. "We have introduced Sunnen to colleagues in the UHY global network and worked together to help the business understand country impacts on various strategic and operational alternatives. At the same time, we have been able to streamline the consolidation process and increase transparency in Sunnen's growing intercompany transactions."

Rob Ludwig, Sunnen's vice-president and chief financial officer, is equally enthusiastic. "When we hired UHY LLP, we wanted a firm that was proactive and attentive to our needs but above all responsive. Our business was, and is, all about productivity –

getting more for less – and we need our trusted advisors to understand that and get on board. UHY LLP met the brief in every way."

THE CHALLENGE

Sunnen's expansion abroad began with the development of a Chinese manufacturing subsidiary in 1994 in Pudong, Shanghai and the subsequent opening of sales and service centres in Beijing, Chongqing, Guangdong, Liaoning and Shanxi. This was the first step in an international growth strategy, and an opportunity to call on UHY's own cross-border expertise. UHY Advisors' China Desk in New York has been a valuable source of consultancy and advice on numerous development issues at the Shanghai Sunnen Mechanical Company, and indicative of how specialised local market knowledge is a key factor in success abroad.

Europe has also been a challenging market for Sunnen, with mandated higher regulatory and technical accounting standards issues to address as well as the establishment of new country offices within the group's holding company, Sunnen Products Limited. So with a compatible footprint of UHY member firms to mirror the company's own centres of operation, it was inevitable that the cultural and professional fit between UHY and Sunnen would bring more UHY member firms – and more local knowledge - into the equation, through introductions from UHY LLP, US as the lead firm. According to Rob Ludwig, this coordinated approach has made a complex European tax and audit challenge a lot simpler to manage. "We find this consolidation of audit and tax work occurs better between UHY member firms," he says. "The cooperative approach is not something we would have easily found



by using different advisors – and the UHY member firms working with our subsidiaries locally have been great.”

THE SOLUTION

Sunnen’s audit and tax teams in Belgium, Italy, Switzerland and the UK work closely with their UHY counterparts on a wide range of requirements. For example, as well as providing statutory audits to Sunnen’s Swiss businesses, UHY member firm Balmer-Etienne AG, in Zurich, also provides VAT (value added tax) checks and other tax compliance services. “Their local knowledge is critical for us,” says Rob Ludwig. “Local accounting law, local VAT and other tax requirements combined with knowledge on US GAAP means we can operate there with confidence.” UHY Italy and UHY-CDP Partners in Belgium provide similar local reassurance and compliance in their respective markets.

For the last 15 years, Sunnen has consolidated its European accounts through UHY Hacker Young, London, UK. In addition to this work, the UHY member firm in the UK provides international tax and restructuring advice, as well as auditing Sunnen’s UK entity and providing corporation tax services. UHY Hacker Young has significant experience in providing services to UK subsidiaries of US companies as well as European groups headed by a UK parent, so the fit with Sunnen was clear. Rob agrees, “Working with common UHY member firms has meant that the consolidation packs prepared by our European subsidiaries can be used by the UK and the US in preparation of the respective consolidated group accounts.”

THE RESULT

Confidence in UHY’s member firms and a positive long-term experience in developing smooth, effective relationships between teams and member firms have resulted in more partnerships with UHY as part of Sunnen’s international expansion. UHY Yans-Audit LLC, one of UHY’s member firms in Russia, provides statutory audit services to Sunnen’s Russian subsidiary and, most recently, Sunnen has developed joint venture (JV) operations in two of the most traditionally difficult markets to enter – Brazil and India.

Rob Ludwig explains: “Brazil is particularly demanding and UHY Moreira Auditores played a part – alongside our legal attorneys – in navigating the complex regulatory and fiscal hurdles, and the culture. It is a difficult time for the country economically and politically, but setting up as a JV allowed us to have an invested partner locally which made the challenges surmountable.”

Likewise in India, where Sunnen’s JV with a longstanding local distribution partner required considerable navigation on issues of compliance and multiple taxation. UHY’s member firm has been instrumental in supporting Sunnen through the process. “Chandabhoj & Jassoobhoj has played a very solid role in India,” says Rob. “They have been with us for the last couple of years. Our operation there is progressing well, right on plan and no concerns.”

LOOKING TO THE FUTURE

Rob is under no illusions that Sunnen’s ambition will face many more challenges,

despite continuing success today. “Of course we have plans for the future,” he says. “Europe, in particular, is a changing and complicated landscape. Over the next few years, we will be re-evaluating legal and capitalisation structures and how we handle pan-European logistics and market management. We may need, for instance, a different approach to the dispersion of assets.”

One thing is for sure, Sunnen will be looking for even more technical and local expertise and advice, and Rob is confident that his company’s relationship with UHY member firms, in the US and across the world, will continue to bear fruit. “We are not a big enough business to have all the specific skills and knowledge in-house,” he says, “but working with advisors like Jerry and his team in the US, and the wider UHY member firms in the network, I know we are in good hands. In my experience they really understand our business. They have never been less than responsive, cooperative and, more than anything, they have always been there for us.”

UHY IN THE ENGINEERING AND INDUSTRIAL SECTOR

The engineering sector is characterised by growing mass production in developing economies, and a drive for technological and productivity improvements in mature markets. Access to finance, currency volatility, sustainable supply chains and pricing pressures are areas where UHY member firms can assist, as well as helping deliver growth and operational efficiencies. For cross border clients, we advise on import taxes, tariffs, subsidies and exchange rate strategies, to name just a few.