

# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

## BTU International, Inc. (BTUI)



**PAUL J. VAN DER WANSEM**, the Chairman of BTU International's board of directors since 1979, returned as Chief Executive Officer in October 2004 after a two-year hiatus. He previously served as the company's CEO from 1979 to July 2002. From 1977 to 1981, Mr. van der Wansem served as Vice President of Holec, N.V., a Dutch electronics company; from 1978 through 1981, he was President of Holec (USA), Inc. Prior to that, Mr. van der Wansem worked as a Management Consultant for the Boston Consulting Group, Inc., and as an Adjunct Director of First National City Bank in both Amsterdam and New York. He received an undergraduate degree in automotive engineering from Bromsgrove College, England, and holds an MBA from IMD, Switzerland.

### SECTOR — ENERGY

#### TWST: Please tell us about BTU.

**Mr. van der Wansem:** We have always been known predominantly as a supplier of thermal processing equipment for the electronics industry. In 2005 we decided that, while we would definitely adhere to our electronics background and keep supplying equipment there, we would stop supplying equipment to many other industries because that typically involved many one-off designs, and it's hard to make money in that kind of business — it was very exciting for the engineers, but not necessarily good for the bottom line. So we decided we would focus our efforts on one other major industry, which was alternative energy. BTU has always been involved in the nuclear fuel industry by supplying sintering furnaces for nuclear fuel. In addition, we had the technology and the capability for manufacturing equipment, primarily solar equipment, for in-line thermal processing of photovoltaic cells. We decided that we would focus our R&D efforts as well as look at some acquisition of technology in the solar energy field, so that together with our nuclear venture we created what would be the alternative energy sector for our business. That evolved into developing equipment and purchasing a small company in California. With this we then started to develop our first product lines for the photovoltaics industry, which was in those days predominantly only silicon-based solar. It became clear by the time we reached 2008 that we needed to make a bigger effort and really set up a different business next to our electronics business in order to drive both the development of equipment as well as the marketing efforts for solar under a different crew of executives. We started to hire key personnel for the solar division, a vice president of engineering and

production. We later on added to that a vice president of marketing. We started to design and develop more product lines for photovoltaics and, in fact, we've just gone through a second-generation equipment development program, which has led to the introduction very recently of the first products of this next generation, which is all geared to silicon photovoltaic cell production.

Last year, it became clear that we should also serve the thin films industry, which involves doing a different deposition process on either glass or other flexible materials. So we started to focus on that as well. This has evolved into supplying equipment to some of the initial thin film producers, both for CdTe as well as for CIGS. We are now on the road to becoming, for this year, a business primarily engaged — approximately 60% — in system sales to the alternative energy sector. That is our goal and 40% will be in electronics. And that is the first time we will have made the transition so that alternative energy will be the largest part of the company, and not electronics.

**TWST: You've gone through quite a few changes recently. Are you looking at even more changes in BTU?**

**Mr. van der Wansem:** Yes, it is not unlikely that the alternative energy sector will be the predominant sector of our business and could reach 75% or so, yes.

**TWST: Why is the alternative energy area important?**

**Mr. van der Wansem:** There are several aspects to that. Most importantly, it's a high-growth industry. It is predicted that the market will grow at north of 25% or 30%, which we haven't seen for a long time in the electronics sector. That is exciting by itself.

Secondly, we believe we have the technical know-how in in-line processing, both from a temperature uniformity standpoint as well as from a process gas management point of view, to be able to serve this market, both in the silicon part of solar manufacturing as well as in the thin films part. We think that that is a very good fit for our company. Finally, it is a sector where a lot of our people are interested in — from an environmental point of view — what we contribute as a company to the environment.

**TWST: Is solar energy — photovoltaics — the primary alternative energy product for BTU?**

**Mr. van der Wansem:** Yes, that is correct. And to a smaller degree, it is nuclear — nuclear sintering, where we have very high-temperature equipment running at about 1,800 degree centigrade. We deliver that equipment to those people who make the nuclear fuel uranium oxide, which is used in the nuclear fuel reactors to make energy. It is a small part of our business but recently there has been growing interest, especially in Asia where they are building many reactors as we speak. There is an upsurge in the demand for nuclear energy coming and also for nuclear fuel.

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**TWST: Where are most of your customers located?**

**Mr. van der Wansem:** If we look at it from a manufacturing point of view, I would say that more than 85% of our products are outside of the United States. That doesn't always mean that the decisions are made outside of the United States. There are some multinational companies we do business with who make decisions here but have equipment delivered elsewhere. So 85% of our products go outside the United States. For most of these products, both in the electronics sector as well as lately in the production of photovoltaics, the focal point really is China.

**TWST: You recently won the Industry's Choice International Solar Technology Award. Tell us about that.**

**Mr. van der Wansem:** We were a little surprised because it is early in the product life cycle. This award is for a product which we introduced recently, which does the phosphorus doping and diffusion on the silicon wafers with in-line process equipment. We've been developing that product for the past year and a half, roughly. We very recently installed the first unit. It was a nice surprise that we could see a prize even before we had installed the first piece of equipment. That was very, very nice to see. Some people must have some knowledge of how good that is going to be to give us the prize.

**TWST: Year-to-date, what does your balance sheet look like?**

**Mr. van der Wansem:** We are, I guess, fortunate in that we have a very strong balance sheet with enough cash, meaning we have somewhere around \$24 million cash on the balance sheet. We are not borrowing money except for a mortgage on our building

here in Billerica. We are in a fortunate position that we can fund our R&D effort as well as our marketing efforts for developing the solar sector. Of course, we are still very much in a downturn from an electronics point of view, and even in solar there have been quite a few postponements of capital expenditures this year. In spite of that, we are funding and will be funding our large R&D efforts. We are building and have completed two solar photovoltaic laboratories, one in China and one in the United States, which are fully operational now, so we can show our customers what they can do with our equipment. So in spite of the downturn and lackluster markets for both electronics and, to some degree, for the solar expansion right now, we have been able to fund all that and keeping a, I'll say better, balance sheet.

**TWST: Do you anticipate the alternative energy market becoming even more important with increasing gas prices and the public emphasis on the environment?**

**Mr. van der Wansem:** I would think that probably we've seen less impact on the fluctuation of pricing for oil or natural gas, but the bigger impact has been the environment and getting rid of the

emissions issue. That is the key driving force, and that has been the key driving force for many years in Germany and Japan, who were really the front-runners in applying photovoltaic and other alternative energy sources. We are still catching up here. Worldwide we've seen a change where people are starting to be much more attentive to the environment and the need to supply energy in a carbon-free environment. So that is the key driving force in my opinion, less so influenced by prices of oil or gas.

**TWST: What would you say differentiates BTU from your competitors?**

**Mr. van der Wansem:** We have an interesting footprint. I think we are, as I said already, in a mode where 85% of our products have been going overseas. For our size company, we have a very strong international marketing sales and service network. In addition, quite a few years ago we chose to have our own people in China, going back to the early 1990s as well as setting up manufacturing there. So we have a manufacturing footprint, which is present not only in the United States but also now is well-entrenched in China. The combination of our whole supply chain and our ability to manufacture on the two continents, being part of the Asian economy — especially in China — and being local there, I think is pretty unique and not that many companies of our size have done that.

**TWST: What should potential investors know about your company?**

**Mr. van der Wansem:** The investment community should look at this transition of the company. We, I think, are still perceived very much by many people as an electronics equipment supplier.

Last year, alternative energy was about 28% of system sales, and we set our target at 60% this year. That transition is happening fairly rapidly, and I think that is worth noting. Therefore, people should be much more aware that we are becoming a larger player in the alternative energy sector. As such, I think people also look upon BTU more as an alternative energy equipment company rather than just an electronics company. I think that is a key aspect. I think people want to be looking into the immediate future to see how well our many new products are doing in the marketplace and what is happening whether we win accounts or not.

**TWST: Tell us about your background.**

**Mr. van der Wansem:** I originally started as an engineer, automotive engineering, having studied in England. I got my MBA in Switzerland, and after that I worked for a few years in finance with one of the largest banks. I did some M&A work, then transitioned into strategic consulting with the Boston Consulting Group. From there I went back into industry and eventually in the early 1980s ended up with the acquisition of BTU with the help of some key investors who were predominantly venture capital investors, and we bought out BTU. We developed BTU from there on. My background is very wide, covering many territories in the industry. That's how I evolved into working in general management and actually ending up running a company.

**TWST: Who are the other key members of your management team at BTU?**

**Mr. van der Wansem:** I guess it may be worth noting that I have many long-term employees but, at the same time, we have a fairly young management team for this company. Over the past two years, we added most of our management team. We have a new CFO, Peter Tallian, who joined us a few months ago. We have a new Vice President of Marketing, Jan-Paul van Maaren, who recently joined us as well. Then we have our Vice President

of Operations and Engineering who joined us in early 2008. Then we have one more old-timer, Jim Griffin, who is our Vice President of Sales and Service worldwide. I am still the oldest old-timer. The management additions are indicative of what we are trying to do as a company and how we are trying to change the company.

**TWST: Is there anything else you would like to add?**

**Mr. van der Wansem:** In general, I think that I would encourage people who are interested in the company to contact us. We are happy to arrange plant visits, either here or in China. It is interesting how many people we have seen from the United States taking trips to China and popping into our factory in China to have a look. And we are giving financial presentations at quite a few venues in the coming couple of months. I would encourage people to attend those or to write to us, or look at our Web site in order to find out where we are going to be and get more familiar with the story.

**TWST: Thank you. (LMR)**

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