

Edgar Filing: GARDNER DENVER INC - Form SC 13D/A

GARDNER DENVER INC  
Form SC 13D/A  
July 27, 2012

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 13D  
Under the Securities and Exchange Act of 1934

(Amendment No. 1)

Gardner Denver, Inc.

-----  
(Name of Issuer)

Common Stock, \$0.01 par value

-----  
(Title of Class of Securities)

365558105

-----  
(CUSIP Number)

Allison Bennington, Esq.  
ValueAct Capital  
435 Pacific Avenue, Fourth Floor  
San Francisco, CA 94133  
(415) 362-3700

-----  
(Name, address and telephone number of Person  
Authorized to Receive Notices and Communications)

Allison Bennington, Esq.  
ValueAct Capital  
435 Pacific Avenue, Fourth Floor  
San Francisco, CA 94133  
(415) 362-3700

July 26, 2012

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box [ ].

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

This information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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SCHEDULE 13D

CUSIP NO. 365558105

Page 2 of 16

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

ValueAct Capital Master Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) ☒ [X]  
(b) ☐ [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS (See Instructions)\*

WC\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) ☐ [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

|                                                                     |                           |
|---------------------------------------------------------------------|---------------------------|
| NUMBER OF<br>SHARES<br>BENEFICIALLY<br>OWNED BY EACH<br>PERSON WITH | 7. SOLE VOTING POWER      |
|                                                                     | 0                         |
|                                                                     | 8. SHARED VOTING POWER    |
|                                                                     | 2,507,750**               |
|                                                                     | 9. SOLE DISPOSITIVE POWER |
|                                                                     | 0                         |

|                              |
|------------------------------|
| 10. SHARED DISPOSITIVE POWER |
| 2,507,750**                  |

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,507,750\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES ☐ [ ]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.1%

14. TYPE OF REPORTING PERSON

PN

\*See Item 3

\*\*See Item 2 and 5

SCHEDULE 13D

Edgar Filing: GARDNER DENVER INC - Form SC 13D/A

CUSIP NO. 365558105

Page 3 of 16

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

VA Partners I, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) ☒ [X]  
(b) ☐ [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) ☐ [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |
|---------------|------------------------------|
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | 8. SHARED VOTING POWER       |
| SHARES        | 2,507,750**                  |
| BENEFICIALLY  | 9. SOLE DISPOSITIVE POWER    |
| OWNED BY EACH | 0                            |
| PERSON WITH   | 10. SHARED DISPOSITIVE POWER |
|               | 2,507,750**                  |

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,507,750\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES ☐ [ ]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.1%

14. TYPE OF REPORTING PERSON

00 (LLC)

\*See Item 3

\*\*See Item 2 and 5

SCHEDULE 13D

CUSIP NO. 365558105

Page 4 of 16

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

Edgar Filing: GARDNER DENVER INC - Form SC 13D/A

ValueAct Capital Management, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) ☒ (b) ☐

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) ☐

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |
|---------------|------------------------------|
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | 8. SHARED VOTING POWER       |
| SHARES        | 2,507,750**                  |
| BENEFICIALLY  |                              |
| OWNED BY EACH | 9. SOLE DISPOSITIVE POWER    |
| PERSON WITH   | 0                            |
|               | 10. SHARED DISPOSITIVE POWER |
|               | 2,507,750**                  |

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13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.1%

14. TYPE OF REPORTING PERSON

PN

\*See Item 3

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SCHEDULE 13D

CUSIP NO. 365558105

Page 5 of 16

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Capital Management, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) ☒ (b) ☐

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3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e)

[ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7. SOLE VOTING POWER  
0

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH

8. SHARED VOTING POWER  
2,507,750\*\*

9. SOLE DISPOSITIVE POWER  
0

10. SHARED DISPOSITIVE POWER  
2,507,750\*\*

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,507,750\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES

[ ]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.1%

14. TYPE OF REPORTING PERSON

00 (LLC)

\*See Item 3

\*\*See Item 2 and 5

SCHEDULE 13D

CUSIP NO. 365558105

Page 6 of 16

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

ValueAct Holdings, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a) [X]

(b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

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00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |
|---------------|------------------------------|
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | 8. SHARED VOTING POWER       |
| SHARES        | 2,507,750**                  |
| BENEFICIALLY  |                              |
| OWNED BY EACH | 9. SOLE DISPOSITIVE POWER    |
| PERSON WITH   | 0                            |
|               | 10. SHARED DISPOSITIVE POWER |
|               | 2,507,750**                  |

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2,507,750\*\*

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CERTAIN SHARES [ ]

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5.1%

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PN

\*See Item 3

\*\*See Items 2 and 5

SCHEDULE 13D

CUSIP NO. 365558105

Page 7 of 16

1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

ValueAct Holdings GP, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) [X]  
(b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) [ ]

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## 6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |
|---------------|------------------------------|
| -----         |                              |
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | -----                        |
| SHARES        | 8. SHARED VOTING POWER       |
| BENEFICIALLY  | 2,507,750**                  |
| OWNED BY EACH | -----                        |
| PERSON WITH   | 9. SOLE DISPOSITIVE POWER    |
|               | 0                            |
|               | -----                        |
|               | 10. SHARED DISPOSITIVE POWER |
|               | 2,507,750**                  |
|               | -----                        |

## 11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,507,750\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]

## 13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.1%

## 14. TYPE OF REPORTING PERSON

00 (LLC)

\*See Item 3

\*\*See Items 2 and 5

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CUSIP NO. 365558105

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Page 8 of 16

THE PURPOSE OF THIS AMENDMENT NO. 1 TO SCHEDULE 13D IS TO AMEND THE OWNERSHIP REPORTS OF THE REPORTING PERSONS, ITEM 4(PURPOSE OF TRANSACTION) AND ITEM 7 (MATERIAL TO BE FILED AS EXHIBITS). THE INFORMATION BELOW SUPPLEMENTS THE INFORMATION PREVIOUSLY PROVIDED.

## Item 1. Security and Issuer

This Schedule 13D relates to the Common Stock, \$0.01 par value per share (the "Common Stock") of Gardner Denver, Inc., a Delaware corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 1500 Liberty Ridge Drive, Suite 3000, Wayne, Pennsylvania 19087.

## Item 2. Identity and Background

This statement is filed jointly by (a) ValueAct Capital Master Fund, L.P. ("ValueAct Master Fund"), (b) VA Partners I, LLC ("VA Partners I"), (c) ValueAct Capital Management, L.P. ("ValueAct Management L.P."), (d) ValueAct Capital Management, LLC ("ValueAct Management LLC"), (e) ValueAct Holdings, L.P. ("ValueAct Holdings") and (f) ValueAct Holdings GP, LLC ("ValueAct Holdings GP") (collectively, the "Reporting Persons").

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ValueAct Master Fund is a limited partnership organized under the laws of the British Virgin Islands. It has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

VA Partners I is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Master Fund. It has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

ValueAct Management L.P. is a Delaware limited partnership which renders management services to ValueAct Master Fund. ValueAct Management LLC is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Management L.P. Each has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

ValueAct Holdings is a Delaware limited partnership and is the sole owner of the limited partnership interests of ValueAct Management L.P. and the membership interests of ValueAct Management LLC and is the majority owner of the membership interests of VA Partners I. ValueAct Holdings GP is a Delaware limited liability company, the principal business of which is to serve as the General Partner to ValueAct Holdings. Each has a principal business address of 435 Pacific Avenue, Fourth Floor, San Francisco, CA 94133.

(d) and (e). None of the entities or persons identified in this Item 2 has during the past five years been convicted of any criminal proceeding (excluding traffic violations or similar misdemeanors), nor been a party to a civil proceeding of a judicial or administrative body of competent judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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CUSIP NO. 365558105

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Page 9 of 16  
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### Item 3. Source and Amount of Funds or Other Consideration

The source of funds used for the purchase of the Issuer's securities was the working capital of ValueAct Master Fund. The aggregate funds used by these Reporting Persons to make the purchases were \$953,876.92.

### Item 4. Purpose of Transaction

On July 26, 2012 the Reporting Persons sent a letter to the Board of Directors of the Issuer (the "Letter"). The full text of the Letter is attached hereto as Exhibit 2.

### Item 5. Interest in Securities of the Issuer

(a) and (b). Set forth below is the beneficial ownership of shares of Common Stock of the Issuer for each person named in Item 2. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by (i) ValueAct Management L.P. as the manager of each such investment partnership, (ii) ValueAct Management LLC, as General Partner of ValueAct Management L.P., (iii) ValueAct Holdings, as the sole owner of the limited partnership interests of ValueAct Management L.P. and the membership interests of ValueAct Management LLC and as the majority owner of the membership interests of VA Partners I and (iv) ValueAct Holdings GP, as

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General Partner of ValueAct Holdings. Shares reported as beneficially owned by ValueAct Master Fund are also reported as beneficially owned by VA Partners I, as General Partner of ValueAct Master Fund. VA Partners I, ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP also, directly or indirectly, may own interests in one or more than one of the partnerships from time to time. Unless otherwise indicated below, by reason of such relationship ValueAct Master Fund is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, such shares of Common Stock, with VA Partners I (only with respect to ValueAct Master Fund), ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP.

As of the date hereof, ValueAct Master Fund is the beneficial owner of 2,507,750 shares of Common Stock, representing approximately 5.1% of the Issuer's outstanding Common Stock (which shares may also be deemed to be beneficially owned by VA Partners I).

ValueAct Management L.P., ValueAct Management LLC, ValueAct Holdings and ValueAct Holdings GP may each be deemed the beneficial owner of an aggregate of 2,507,750 shares of Common Stock, representing approximately 5.1% of the Issuer's outstanding Common Stock.

All percentages set forth in this Schedule 13D are based upon the Issuer's reported 48,971,000 outstanding shares of Common Stock as reported in the Issuer's press release dated July 19, 2012.

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CUSIP NO. 365558105  
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Page 10 of 16  
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(c) Since the date of the last filing, the Reporting Persons purchased the following shares of Common Stock in the open market:

| Reporting Person     | Trade Date | Shares | Price/Share |
|----------------------|------------|--------|-------------|
| -----                | -----      | -----  | -----       |
| ValueAct Master Fund | 07/12/2012 | 19,100 | \$49.91     |

(d) and (e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Other than as described elsewhere in this Report and as previously reported, the Reporting Persons have no understandings, arrangements, relationships or contracts relating to the Issuer's Common Stock which are required to be described hereunder

Item 7. Material to Be Filed as Exhibit

(1) Joint Filing Agreement.

(2) Letter dated July 26, 2012 from the Reporting Persons to the Board of Directors of the Issuer.

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CUSIP NO. 365558105

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Page 11 of 16

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SIGNATURE

After reasonable inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below on this Schedule 13D hereby constitutes and appoints Jeffrey W. Ubben, George F. Hamel, Jr., G. Mason Morfit and Allison Bennington, and each of them, with full power to act without the other, his or its true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or it and in his or its name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments to this Schedule 13D, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he or it might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

ValueAct Capital Master Fund L.P., by  
VA Partners I, LLC, its General Partner

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

-----  
George F. Hamel, Jr., Chief Operating Officer

VA Partners I, LLC

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

-----  
George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, L.P., by  
ValueAct Capital Management, LLC its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

-----  
George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, LLC

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

-----  
George F. Hamel, Jr., Chief Operating Officer

-----  
CUSIP NO. 365558105

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Page 12 of 16

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ValueAct Holdings, L.P., by  
ValueAct Holdings GP, LLC, its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

George F. Hamel, Jr., Chief Operating Officer

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CUSIP NO. 365558105

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Page 13 of 16

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Exhibit 1

JOINT FILING UNDERTAKING

The undersigned parties hereby agree that the Schedule 13D filed herewith (and any amendments thereto) relating to the Common Stock of Gardner Denver, Inc., is being filed jointly on behalf of each of them with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended.

ValueAct Capital Master Fund L.P., by  
VA Partners I, LLC, its General Partner

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

George F. Hamel, Jr., Chief Operating Officer

VA Partners I, LLC

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, L.P., by  
ValueAct Capital Management, LLC its  
General Partner

By: /s/ George F. Hamel, Jr.

Dated: July 27, 2012

George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, LLC

By: /s/ George F. Hamel, Jr.

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Dated: July 27, 2012 George F. Hamel, Jr., Chief Operating Officer  
ValueAct Holdings, L.P., by  
ValueAct Holdings GP, LLC, its  
General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: July 27, 2012 George F. Hamel, Jr., Chief Operating Officer  
ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.  
-----

Dated: July 27, 2012 George F. Hamel, Jr., Chief Operating Officer

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CUSIP NO. 365558105  
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Page 14 of 16  
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Exhibit 2

July 26, 2012

VIA EMAIL AND OVERNIGHT MAIL

Diane K. Schumacher  
Chairperson of the Board of Directors  
Gardner Denver Inc.  
1500 Liberty Ridge Drive  
Suite 3000  
Wayne, PA 19087

Dear Diane,

ValueAct Capital owns 2.5 million shares, representing 5.1% of Gardner Denver Inc.s ("GDI" or "the Company") common shares outstanding. As a large shareholder, we are writing to recommend that the board of GDI pursue a sale of the Company in light of the circumstances in which it finds itself after the surprising resignation of its CEO, Barry Pennypacker, on Monday July 16, 2012. We believe a sale of the Company at this time would be both prudent and the most effective way to deliver maximum value to shareholders on a risk-adjusted basis for both the short and long-term. Accordingly, we strongly urge the GDI board of directors to engage investment bankers immediately for the purpose of soliciting offers for the Company.

ValueAct Capital manages over \$7.5 billion on behalf of some of the world's most respected institutional and individual investors. We have an enviable track record that extends over 12 years and has involved board representation at 28 companies, roughly half of our core investments. Recent successful investments in which ValueAct Capital played an active governance role include the multi-year transformation of Sara Lee Corporation into 2 new more focused and highly-valued companies, the portfolio upgrading, operational turnaround and subsequent premium sale of Misys plc and the highly successful acquisitive growth strategy of Valeant Pharmaceuticals.

Before today, ValueAct Capital has never publicly called for the sale of a company. Thus, some explanation is in order. We are firm believers in the value of shareholder representation in the board room and the importance

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of having a board of directors with significant capital at risk when facing challenging strategic decisions. Ideally, a large, experienced governance investor like ourselves would have a seat at the table and would work collaboratively inside the board room with fellow directors, management and the Company's advisors in determining appropriate strategic direction during a time like this. In this instance, we had not sought board representation given the relatively short tenure of our investment. As a result, we believe it is most efficient to communicate our recommended plan of action in writing to the entire Board of Directors at this time, as we understand the Board is convening a meeting early next week to consider several key strategic decisions.

We commend Michael Larsen on his handling of the difficult situation thus far. As we would have expected given our prior interactions with him, he has exhibited solid management and communication skills and provided comfort to investors in several of the most critical areas--the integrity of the

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CUSIP NO. 365558105

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Page 15 of 16  
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financial results, the continuity of the operational initiatives and the capital deployment priorities. We also appreciate the recommitment communicated publicly to the principles of the strategic plan that Barry Pennypacker and his team had developed for GDI and we look forward to learning the details of the next major restructuring initiative--addressing the underperforming profitability of GDI's European operations.

However, continuity of the operational culture and commitment to the restructuring plans do not change the unfortunate fact that the execution risk of the Company's strategic plan has now escalated significantly with Barry's resignation. In our view, Barry's experience, skill set and management approach were uniquely well-matched to the strategic opportunities and priorities of GDI. The timing of Barry's departure is especially inopportune in light of the impending launch of the European restructuring, one of the most challenging geographies in which to execute such an initiative, as well as the continuing cyclical weakness of GDI's upstream energy business.

While we appreciate the interim leadership role Michael Larsen can play and are thankful to have an executive of his caliber on the team, Barry's departure, plus the recent turnover and associated turmoil in the executive ranks leave the broader team depleted and dangerously short-handed at a critical juncture. It is worth noting that the team has been significantly rebuilt over the past several years with many executives who had direct experience and apparent affinity working with Barry, and thus, inevitably, may now be at risk for further turnover.

Of course, consideration of a sale of the Company as an alternative to retaining public company status under a new CEO must incorporate the likelihood of success and relative value creation from a sale. On this front we are encouraged by the prospects. To start, as a result of the strength and diversity of the Company's group of businesses, Gardner Denver can be expected to generate an impressive level of cash flow, even under various cyclical revenue decline scenarios that might unfold. Such high, sustainable cash flow is highly valued in the private transaction market where the costs of debt capital are currently relatively low and financing availability is high. This contrasts with a public market mindset more focused on near-term earnings growth, than underlying cash flow production, and limited patience to ride out business and economic cycles.

There are a number of comparably-sized industrial sector companies for sale, or that have been sold recently, for which debt financing commitments

## Edgar Filing: GARDNER DENVER INC - Form SC 13D/A

have been obtained in the range of 6x EBITDA. With blended all-in debt financing rates, at those leverage levels, likely in the 7.5% to 8.5% range, financing conditions are uniquely conducive to large private equity transactions and supportive of valuation multiples well in excess of public trading multiples for comparable businesses. This is evidenced, most relevantly, in the announcement today of United Technologies' sale of its Hamilton Sundstrand industrial unit to Carlyle Group LP and BC Partners for \$3.5 billion. This transaction is reportedly priced at a valuation multiple approaching 9x EBITDA, utilizing debt financing greater than 6x.

We believe private equity buyers will not be deterred by the various concerns that may weigh on a public market valuation of the Company for the foreseeable future. First, private equity buyers often work with operating executives within their organizations or past CEOs with which they have had

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CUSIP NO. 365558105

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Page 16 of 16  
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success and thus will not be daunted by the current leadership transition. In fact, we think the strength of the finance team and divisional heads and the becoming-ingrained lean organizational culture will be a significant selling point. Secondly, the implied valuation for the announced acquisition of Hamilton Sundstrand Industrial, a business subject to many of the same economic cycle risks as GDI, evidences the multi-year investment horizons of private equity firms that allow them to see through to the other side of potential cycles. We believe the well-laid out margin improvement initiatives at GDI, including the planned European restructuring, will be valued by private equity buyers, given the clear visibility these initiatives provide to sustainable free cash flow growth independent of the macroeconomic cycles.

For all of these reasons, we recommend the board of GDI, at its upcoming board meeting, approve the immediate retention of advisors for purposes of running a sale process targeting an all-cash offer for 100% of the common shares of Gardner Denver. Our assessment of the situation, founded in our extensive experience, suggests there is a high likelihood of the board being able to secure for shareholders an attractive premium to GDI's current trading price. We believe such valuation will be considered highly-attractive by your current shareholders compared to the valuation they might hope to receive longer-term for their shares if the board pursued the path of appointing a new CEO, solidifying its organization and implementing the identified initiatives slated to drive value creation, while attempting to navigate an extremely uncertain economic environment.

We are prepared to assist if we can be helpful in any way--including in a board role--with a strategic alternatives review, as well as the ultimate execution of our recommended sale process path. We have extensive experience directing successful sale and divestiture processes from the board, often under similarly unfortunate circumstances. We would be pleased to share our thoughts further on this subject at your convenience.

Respectfully,

/s/ Gregory P. Spivy

Gregory P. Spivy  
Partner

Cc: Michael M. Larsen, Interim Chief Executive Officer, Gardner Denver Inc.