

XERIUM TECHNOLOGIES INC

FORM 8-K (Current report filing)

Filed 03/18/15 for the Period Ending 03/18/15

Address	14101 CAPITAL BOULEVARD YOUNGSVILLE, NC, 27596
Telephone	919-526-1400
CIK	0001287151
SIC Code	2221 - Broadwoven Fabric Mills, Man Made Fiber and Silk
Industry	Textiles & Leather Goods
Sector	Consumer Cyclical
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): March 18, 2015

XERIUM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

001-32498
(Commission File Number)

42-1558674
(I.R.S. Employer Identification No.)

14101 Capital Boulevard, Youngsville, NC 27596
(Address of Principal Executive Offices)(Zip Code)

Registrant's telephone number, including area code: (919) 526-1400

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure.

On March 18, 2015, Xerium Technologies, Inc. (the "Company") made available the presentation slides attached hereto as Exhibit 99.1 to be presented at various investor presentations to be held between March 18, 2015 and March 20, 2015. The presentation materials will also be made available on the Company's investor relations homepage at www.xerium.com/investorrelations.

The information contained in this report, together with the exhibits attached hereto, under item 7.01 is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of, or otherwise regarded as filed under, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are furnished herewith.

Exhibit No.	Description
99.1	Presentation Material

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

XERIUM TECHNOLOGIES, INC.

Date: March 18, 2015

By: /s/ Clifford E. Pietrafitta
Name: Clifford E. Pietrafitta
Title: Executive Vice President and CFO

INDEX TO EXHIBITS

Exhibit No.

Description

99.1

Presentation Material



*INNOVATIVE PERFORMANCE
THAT DELIVERS RESULTS*

Investor Presentation

March 2015

Forward Looking Statements and Non-GAAP Reconciliations

Various statements herein and remarks today about Xerium's future expectations, plans and prospects are forward-looking statements which reflect our current views with respect to future events and financial performance. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate", and similar statements of a future or forward-looking nature identify forward-looking statements for the purposes of the federal securities laws or otherwise. Our actual results and stock price performance may differ materially from these forward-looking statements and estimates as a result of various important factors, including those discussed in our earnings press release dated March 3, 2015, which is posted in the Investor Relations section of our website at www.xerium.com, and other factors discussed in our filings with the SEC, including our Form 10-K for the year ended December 31, 2014, all of which are on file with the SEC and are also available in the investor relations section of our website at www.xerium.com under the heading "SEC Filings." In addition, market data about the production volumes of our end-users is no guarantee of future production levels. Last, any forward-looking statements which we make in this presentation or in remarks today, represent our views only as of today. We disclaim any duty to update any such forward looking statements.

We also plan to discuss supplementary non-GAAP financial measures, such as Adjusted EBITDA, that we use internally, with our banks, and with our creditors to assess financial performance, and therefore, believe will assist you in better understanding our company. Reconciliations of these measures to the comparable GAAP numbers are available in our most recent earnings press release, in this presentation and in an additional reconciliation schedule, all of which are posted in the Investor Relations section of our website at www.xerium.com.

Management in Attendance

Harold Bevis

President, CEO, Director, Shareholder



- Just completed 2nd year of multi-year turnaround of Xerium
- 30 years of experience with global manufacturing companies including 20 years of experience as a business leader with leadership assignments at GE and Emerson Electric, and 14 years of experience as a CEO, President and Director
- Has worked in public companies for 15 years and private companies for 15 years
- Has led 3 successful multi-year operational turnarounds and has started one company
- Has led 114 plants in 21 countries: Argentina, Australia, Austria, Brazil, Canada, China, Czech Republic, Finland, France, Germany, India, Italy, Japan, Malaysia, Mexico, Morocco, Russia, South Korea, Spain, United Kingdom, and in the United States
- Has led 10 acquisitions, 3 divestitures, 8 greenfield plant startups, 28 plant expansions, 24 plant closures, and multiple joint ventures
- Companies under his leadership have received over 26 industry awards and have patented over 300 new-to-world inventions
- Has done many capital structure transactions including: capital leases, operating leases, factoring, secured bank lending, unsecured bank lending, bond offerings, covenant negotiations, asset pledges, equity pledges, restricted stock offerings, common stock offerings, restricted subsidiaries, unrestricted subsidiaries, initial public offerings, and agency ratings. Has led 2 complete reorganizations through bankruptcy court
- Has received many personal awards including: GE Leadership Award; Booz | Allen | Hamilton Professional Excellence Award; General Dynamics Commendation of Merit Award; and Illinois Community Service Award for work with the Special Olympics
- Author of "Creating Sustainable Value as a CEO in the Manufacturing Industry" chapter in the book Driving Company Growth by Aspatore Books
- Serve on Commercial Vehicle Group (NASDAQ: CVGI) Board of Directors, Audit Committee, Compensation Committee
- Serve on State of North Carolina Chamber of Commerce – Manufacturing Council
- Serve on City of Raleigh, North Carolina Chamber of Commerce - Board of Advisors
- Earned a B.S. degree in Engineering from Iowa State University and an MBA degree from Columbia University

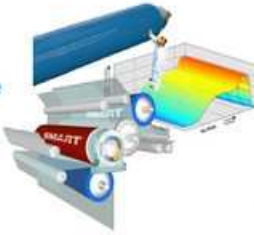
Xerium Overview

Machine Clothing



- 3 Primary Businesses
 - Machine Clothing
 - Roll Covers & SMART® Machine Automation
 - Mechanical Services

Roll Covers & SMART® Machine Automation



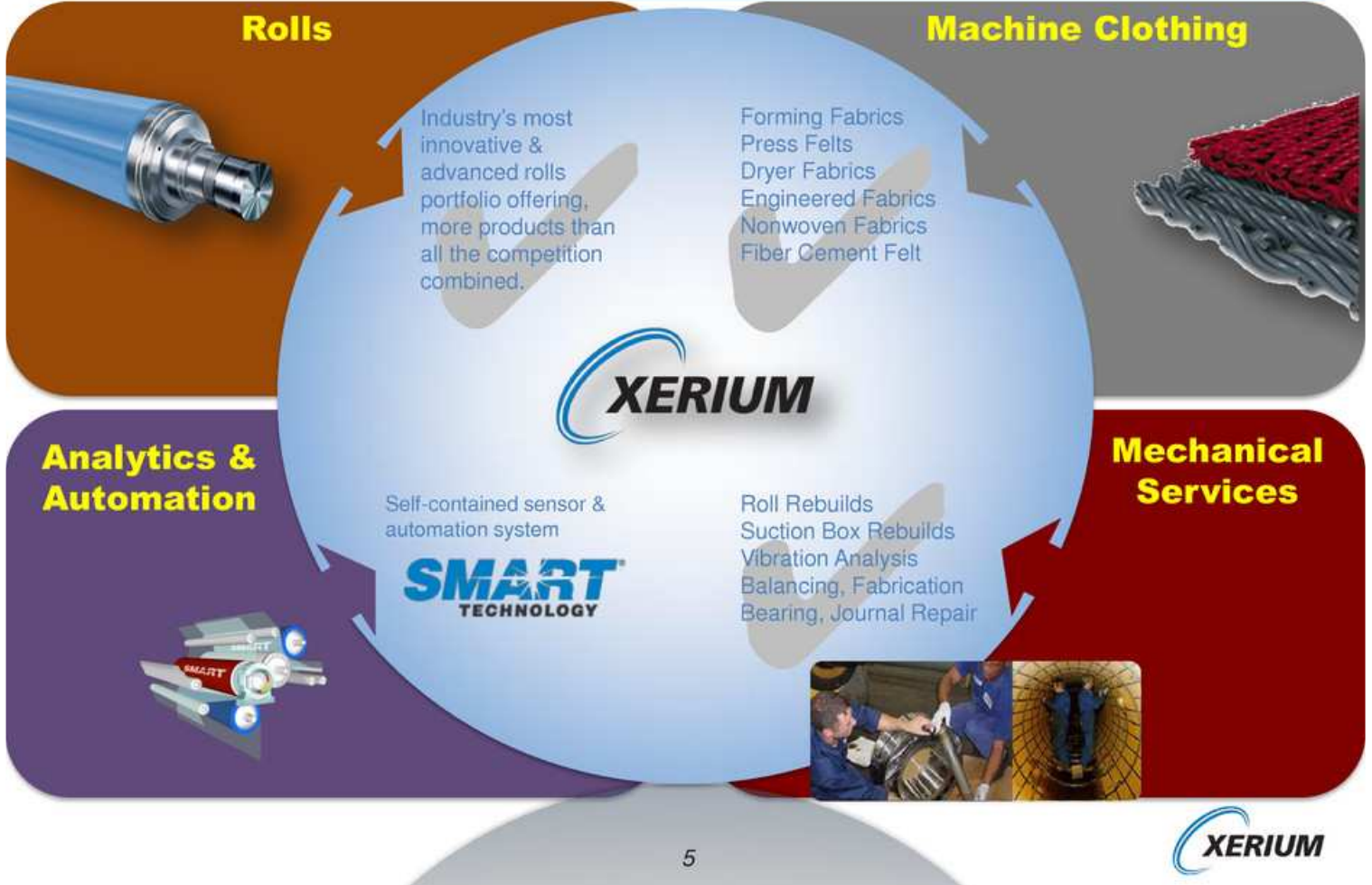
- 26 plants, 2 new plants under construction
- 28 plants, ~3,050 employees, 12 countries
- 406 patents, 101 new patents in process
- ~\$540 million sales, 41% gross margins, 21% Adjusted EBITDA, ~\$1.50 Adjusted EPS

Mechanical Services



- NYSE small cap stock - ~\$240 million equity value
- Just completed 2nd year of multi-year turnaround
- Many structural changes have been made and resultant benefits not yet reflected in results

Xerium Has a Uniquely Integrated Portfolio of Products and Services to Optimize Machine Performance



Xerium Products Are Used to Make Everyday Products

Xerium Products Paper, Paperboard, Tissue, Pulp Production End Products



Xerium Products Nonwoven Fabric Production End Products



Xerium Products Siding & Roofing Production End Products



Investment Highlights

- **Early Stages of Transformation with Two Years of Proven Success**

- Expanded gross margins by nearly 600 basis points with 4% revenue growth over the past three years
- Transitioning regional business model to global model, dual focus on both higher growth rates and lower cost:
 - 28 plants globally, 6 closed, more to go
 - 2 new plants being built, more to go
 - Main support functions are being centralized
 - 3 year cost savings will be ~\$70 million by the end of 2015 (\$48 million in the books)
- New management team in place, headcount reduced while growing modestly
- Focus shifting from heavy investment/heavy restructuring to heavy debt paydown and reaping the benefits of sales growth initiatives and repositioning assets

- **Balanced Approach Towards Capital Allocation**

- Reinvesting in the business in a balanced manner
 - Near-term – restructuring, high payback cost-out capex
 - Mid-term – plant expansions for high growth products and services
 - Long term – greenfield plant locations
- Majority of asset repositioning has been with machines already owned

- **Consumables Business Model, with Emerging Growth Products & Opportunities**

- 100% of products are consumables with 22 new product introductions anticipated in 2015
- Global footprint optimization will significantly improve competitiveness, lead times, cost
- Longer-term top-line growth will be driven by new & currently underserved markets

Value Creation and Turnaround Plan

Just Finished 2nd Year of 6 Year Plan

Fix Core Business

2013 - 2015

1. Strong cost reduction by starting Operational Excellence programs & restructuring
2. Moderate sales growth but add \$100 million of additional sales growth angles in new capacity & new product development
3. Significantly revamp innovation & new product pipeline
4. Settle legacy issues – largest was Brazil tax dispute for \$25 million
5. Reinvest ongoing of Free Cash Flow, moderate deleverage

Main Characteristics

Strong Growth & Financials

2016 - 2018

1. Grow sales faster due to additional sales capacity and new product launches
2. Continue reducing costs via Operational Excellence
3. Cut spending and reinvestment more than 50%, trend back to maintenance level
4. Deleverage strongly
5. Acquire complementary businesses

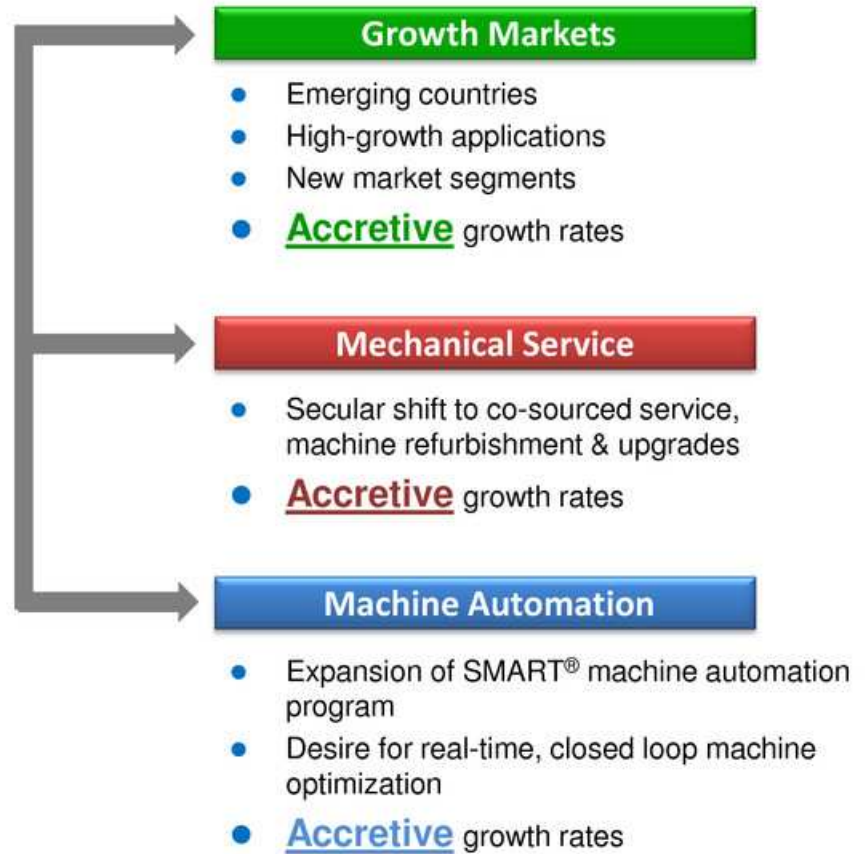
Results So Far

- EBITDA has grown from \$89 million in 2012 to \$116 million in 2014, future growth will be much stronger than last 2 years
- Innovation and new products on a rapid new-door-opening pace – 270 patents (Dec 2012) to 406 patents (Feb 2014), on its way to 500+
- Have deleveraged from 4.5X to 4.0X, on way to below 2X

Significant Investment & Repositioning Plan

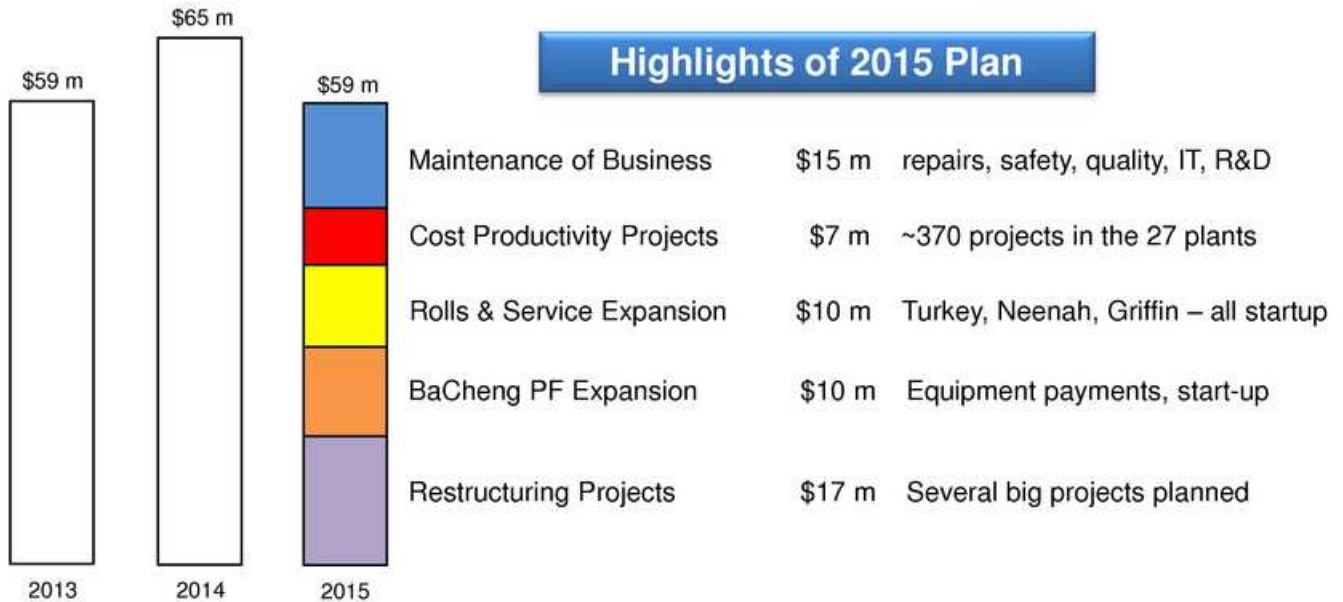


Legacy Machine
Clothing and
Rolls Business



Spending Peaked in 2014 and Will Come Down in 2015

Capacity is Being Put in Place to Support Multiple Years of Growth



Notes:

1. Spending includes cash payments made in connection with restructuring activities and capital expenditures.
2. Spending will be netted down by building and land offset dispositions; and working capital improvements

Financial Results Have Been On-Plan, On-Guidance, and Progressively Moving Upwards

Sales Growth Programs Working
Constant Currency Growth of 1.4% CAGR



Operational Excellence Programs Working
Gross Margin Improving 7.9% CAGR



Lean SG&A Program Working
SG&A Decreasing at 4.7% CAGR



EBITDA Benefiting from Higher Sales & Lower Costs
Increasing at 14.2% CAGR



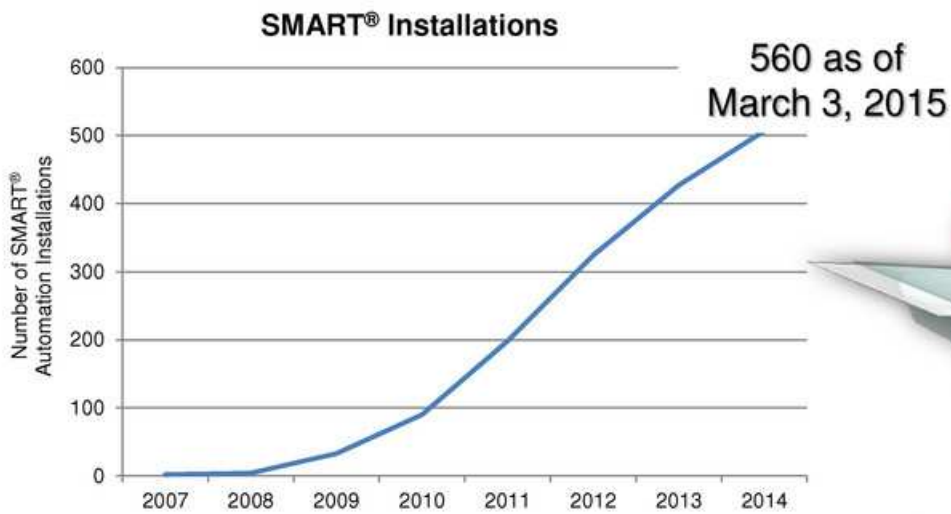
Q4 Adjusted Earnings per Share were \$0.43 – up 169%
Full Year 2014 Adjusted Earnings per Share were \$1.58 – up 29%

Per Share Amounts (basic and net of taxes)	Q4		TTM	
	2014	2013	Q4 2014	Q4 2013
Net Income	\$ 0.72	\$ 0.22	\$ (0.48)	\$ 0.27
Adjustments:				
Restructuring Expenses	0.10	0.35	0.87	0.88
Plant Start-up Costs	0.04	0.01	0.10	0.03
Brazil Tax Charge	-	-	1.49	-
Valuation Allowance Reversal	(0.43)	(0.40)	(0.43)	(0.40)
Goodwill Amortization	-	(0.03)	-	(0.13)
Debt Extinguishment	-	-	-	0.44
Inventory Write-off of Closed Facilities	-	0.02	-	0.06
Non-restructuring Impairment	-	-	-	0.04
FX (gain) loss	-	-	0.03	0.05
Basic Adjusted Earnings Per Share	\$ 0.43	\$ 0.16	\$ 1.58	\$ 1.23

(1) In 2014, the valuation allowance reversal has been included above as an add-back, given the unusual and infrequent nature of this item. In addition, the comparable amount for 2013 has also been included above as an add-back.

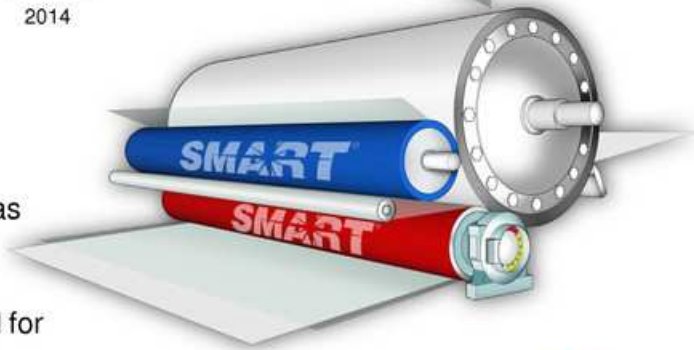
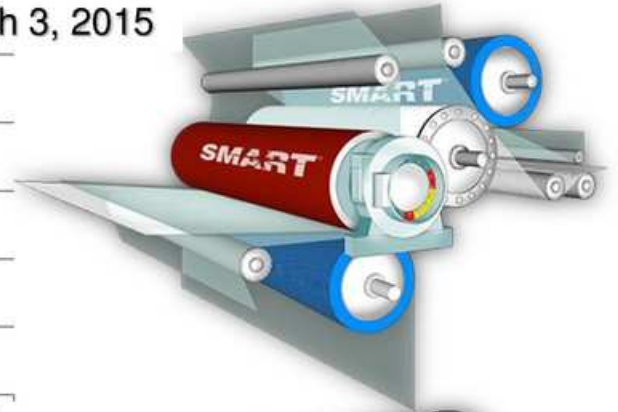
SMART® Machine Automation Installations Are Taking Off

Just Beginning the Globalization of this Product



SMART® is a machine automation solution

- A high-end, self-contained, patented sensor/feedback kit that enables real-time machine optimization in critical performance areas of the machine. Previously this required customers to take costly machine downtime.
- Strengthens customer loyalty and drives demand for Xerium's complementary products



2015 Market Environment Expected to Be Like 2014

Stress in NA & EU Graphical Paper Markets; Growth in Asia, South America & Non-Paper

Xerium products are consumables with relatively short lifecycles:

- Median life for machine clothing is ~60 days
- Median life for rolls is ~1 year

Paper, Tissue, Containerboard, Pulp



- Global paper & board production to grow by 1.4%
- Graphical grades (globally)
 - Newsprint to decline 3.9%
 - P&W to decline 0.7%
- Tissue
 - Global growth of 3.8%
- Containerboard
 - Global growth of 1.8 – 2.8%
- Market Pulp
 - Global growth of 2.3%
- Asia
 - Total production to grow 2.8%
 - Tissue to grow 5.8%
 - Containerboard grades to grow 3 – 3.5%
- South America
 - Total production to grow 2.6%
 - Tissue to grow 4.3%
 - Packaging grades to grow 2.5 - 3%

Source: Numera Analytics.

Nonwoven Fabrics

- 2015 Global production to grow 8.2%



Source: Fredonia Group

Fiber Cement

- 2015 U.S production to grow 2.4%



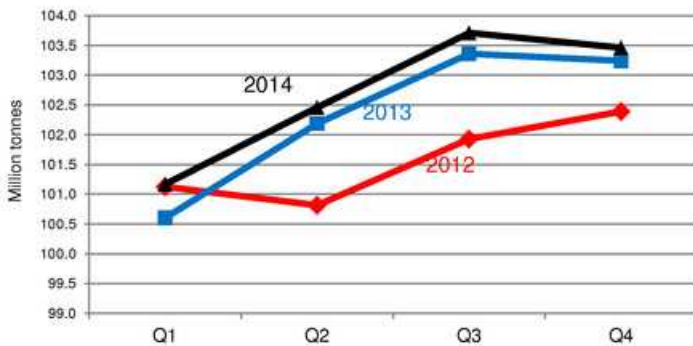
Source: Fredonia Group



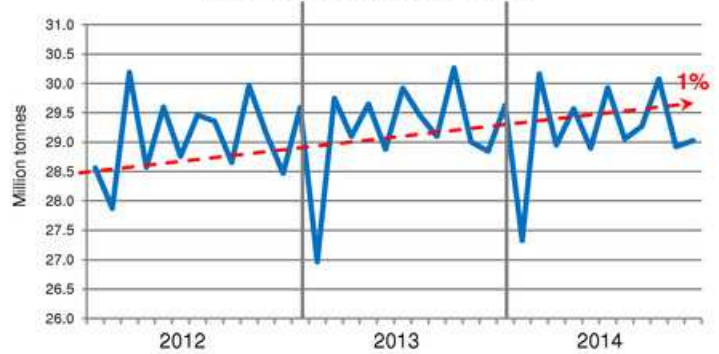
Pulp, Paper, Board and Tissue Market is Slowing Growing and Transforming

Graphical Grades & Mature Markets Declining, GDP Grades & Emerging Markets Increasing

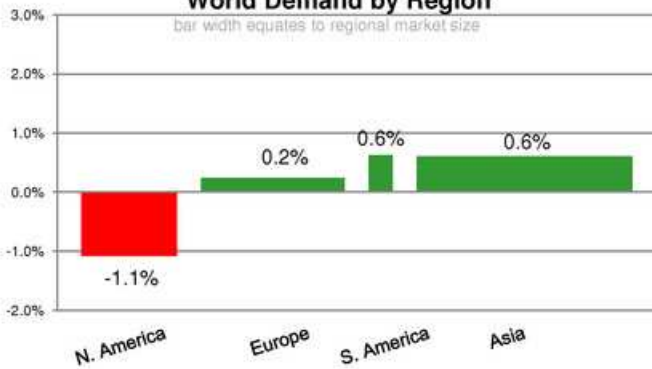
World Demand by Quarter



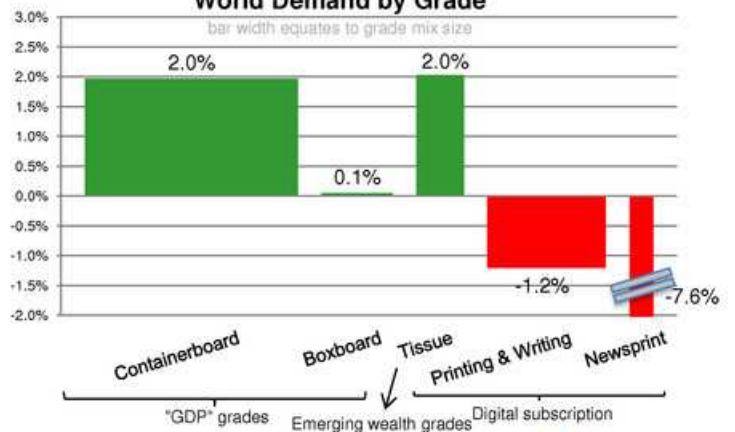
World Production by Month



2014 vs 2013 World Demand by Region

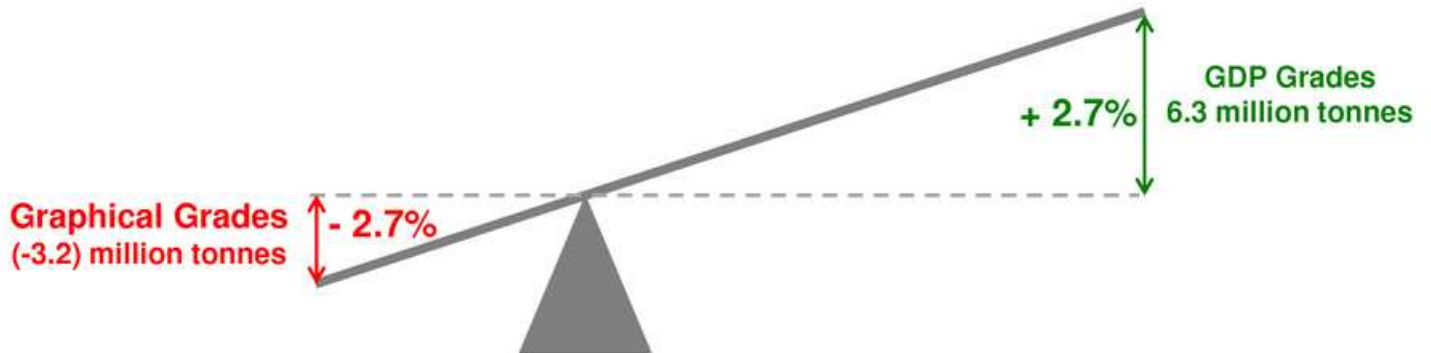


2014 vs 2013 World Demand by Grade



The Decline in Newsprint and Graphical Grade Paper is More than Offset by Growth in Other Grades – This Market Dynamic Will Last Several More Years

Global Production for All Paper & Board Products
2014 versus 2013



Online and ecommerce-based activities drive a net larger usage of paper & board products. Packaging and boxboard grow while hard copy communication paper shrinks.

Net Growth for the Industry!

Source: Numera Analytics

Strategy is Being Implemented by Specific, Measurable Programs

36 Programs Are Underway



Xerium is Building 2 New Plants – Its First in Over 30 Years

Both Plants Open in Second Half 2015

New Machine Clothing Plant Ba Cheng, China



Construction is underway for Xerium's flagship machine clothing plant in China.

This new plant will provide Xerium's most popular, patented machine clothing products.

Slated for 2015 launch

New Roll and Service Plant Corlu, Turkey



Construction is underway for the industry's first major state-of-the-art rolls production and mechanical services facility in Turkey.

This new plant will provide Xerium's most popular, patented rolls and service products.

Slated for 2015 launch

Xerium is Expanding 2 Rolls and Service Plants

Both Plants Open in Second Half 2015

- Customers want specialized service from Xerium to refurbish & upgrade key machine components. Both plants open in 2nd half 2015.
- There is a secular trend to co-source specialized service from 3rd parties versus performing these activities in-house.



Xerium Structurally Changed Its R&D Program to Achieve a Higher Level of New Products with the Same Spend Rate

- Objective: Expand available market and fill-in gaps in the product line
 - Annual budget is stable at ~\$7 million
 - Technical team is ~175 people
- Prototyping has been automated
 - Upgraded pilot machine for fiber cement
 - Upgrading pilot machine for SMART® machine automation
 - Upgraded pilot forming fabric loom
 - Leading edge 3D Printer and CT Scanner
- Invention rate has dramatically increased
 - Xerium has 406 issued patents
 - And now has *101 pending applications!*
 - Many open new sales doors for ~350 person sales & service team



3D Printer



CT Scanner Capability

Innovation Program is Opening Many New Sales Doors for Xerium

These Products are Expected to Drive Sales and Gross Margins Up

--- Examples ---

SMART® Roll for Suction Press Applications

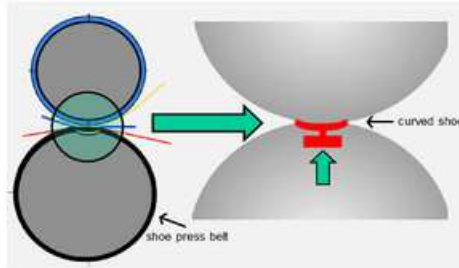


A Xerium Gamechanger

Paper, packaging and tissue makers can now view and manage nip conditions in suction roll applications. Field validation trials now in process.

Slated for 2015 launch

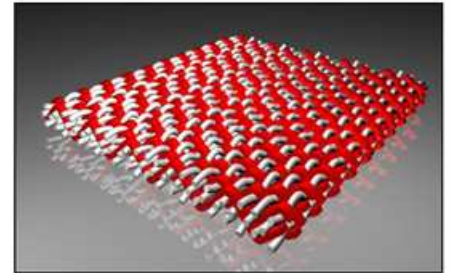
Shoe Press Belt



Special high-end machine clothing belt for press rolls on high-demand press configurations. Currently in field validation phase.

Slated for 2015 launch

TAD Tissue Product



A 2-year new product development program for Through-Air-Dryer fabrics is nearing completion. Completes PMC product portfolio for the growing tissue market.

Slated for 2015 launch

Xerium Executive Summary

- New management team has successfully delivered the 2nd year of a 6 year turn-around, and remains on track to continue its progression
- Many fundamental and structural changes have been made to legacy business model and practices
- ~\$4 billion accessible global market is large and growing, and Xerium has deployed a multi-pronged approach to participate in that growth – and new areas
- Xerium's sales and orders have been growing faster than the market, and its sales programs will accelerate in second half 2015
- Xerium is implementing sales growth programs for both new products and focused capacity investments that will benefit 2016 and beyond
- Xerium becomes cash generative in second half 2015 and begins to pay down debt
- Xerium has an attractive list of business development ideas



*INNOVATIVE PERFORMANCE
THAT DELIVERS RESULTS*

Thank You!
