



SPINNING KNOWLEDGE

# Reversing the tide:



November 7th, 2017

CANADA | USA | MEXICO | CENTRAL AMERICA

[FILSPEC.COM](http://FILSPEC.COM)

# Origins and Start-Up

- Origin: 2004 acquiring assets from Cavalier Textiles (Sherbrooke and Head office Mtl)
- Cavalier was then a commodity spinner
- A business of close to \$130.0 Millions
- Investors regrouped (2004) to form Filspec
  - Desjardins Capital de Risque
  - Coop of unionized workers
  - Management members
  - Ronal Audet (9120-0782 Québec Inc.)

# My strong beliefs:

- I was convinced that:
  - We could not continue to be in the commodity textiles
  - If we could get our employees acting as partners in all the aspects of the business, we could do wonders
  - That the worse was behind for the textile industry.

# The road blocks

- Sales did not materialize as per plan
  - Order book mainly on non profitable yarns
  - Customers very unhappy from the Cavalier Time.
- Our labor pool was not real: Less than 50% came back.
- Our fixed costs were way too high for such reduced sales

# The road blocks

- Our suppliers did not give us terms
- We simply could not cope with such high levels of debts
- Our cash position was very tight
- The US currency kept on loosing value Vs the Can \$

# The wall

- The first year was a wake up call as to our optimist business plan
- A worse second year where quotas were taken off on textile imports
- A massive arrival of finished textile products into our markets (US and Canada)
- An order book that faded quickly and loss of many Canadian customers that could not make it.
- We had such massive losses that we would not make it another year continuing this way.

# The change of course

- I had to admit the reality
  - If we do not act quickly, we won't last another year
  - There was an urgent need to push for specialization
- We could make it if:
  - We would reduce our debts levels or obligation
  - We would change our operation to a specialty set-up
  - We would have some shareholders to chip in
  - We would cut fixed costs drastically

# The action plan put in place

- We accelerated the switch to specialty, moving out quickly of commodity items
- The sales team together with operations adapted their strategy to target innovative markets with better margins
- We have reduced in a few months our costs drastically:
  - Our variable costs (Labor)
  - Cut our H.O. in Montréal
  - Reduced the fringe benefits offered to some of our management
  - Reduced our management team to a minimum.



# The action plan put in place

- We started to think and act like a small company.
- We successfully reduced our obligation as to our long term debts
- We got a strong support from some of our shareholders to chip in

# Thanks to our particular partnership

- Our unionized employees were shareholders:
  - Easier understanding of the threat
  - Easier concession agreed quickly.
- Our long term debts holders were all of the patient type and they were confident in us:
  - BDC
  - Desjardins
  - Investissement Québec

# Thanks to our particular partnership

- We quickly adopted a specialty attitude
  - In our operation
  - In our sales group
  - In the reorganization of the R&D department
- We had a bunch of stable and motivated technical staff that believed in the future of our company.

# Evolution from a Survival to a growth attitude

- In 2008-2009, we took advantage of the financial crisis:
  - By buying a US spinner
  - This allowed growth for US military and DR CAFTA
- We further adapted our whole operation to adjust to customer needs, we became:
  - Solution providers for some key customers
  - The “go to” spinner for many of our fiber suppliers

# Evolution from a Survival to a Growth attitude

- We gradually became the most versatile and capable spinner in North America
  - We had the 4 spinning techniques
  - We could offer specialized yarns for specific needs
  - For many customers, we became their partner to growth and profitability in specific niche markets such as:
    - Protective gloves
    - Medical
    - Protection
    - Bedding industry

# Evolution from a Survival to a Growth attitude

- Our reputation allowed us to attract professionals in:
  - Top management
  - Sales
  - R&D
  - Operations

# What now ?

- We have the team in place to continue our progress
- We are getting closer and closer to the end users of the textile application and not only to the users of our yarns. This enables to align our R&D strategy to real problems (growth generating) that needs to be fixed.
- We know that one of our greatest strength is our collective brain power in which we will never stop investing in.
- We are now opening new markets with innovative ideas:
  - Mexico
  - Central and South America
  - Europe
- We are now in a position to invest in equipment that will permit:
  - More flexibility and better production efficiency and more added value
  - Potential for still further innovative applications.

# The fun side of FilSpec

- Spinning Knowledge is our philosophy. We have solutions for many markets and needs:
  - **FireFil** Fire protection



YARN MADE OF A BLEND OF  
HIGH-PERFORMANCE TEXTILE  
FIBRE AND A FIBREGLASS CORE



# The fun side of FilSpec

- **FireFil**, a welders extra protection (in Partnership With Monterey Textiles)



- Meeting all world specifications
- Light weight and comfortable for workers

# The fun side of FilSpec

– **SteelFil** Protection Comfort and Style for workers and active wear

- Cut and tear
- Abrasion
- Shielding



# The fun side of FilSpec

– **WarmFil** Comfort in all seasons



**NO MORE  
LAYERS FOR  
WINTER**

**WARMFIL, FOR ACTIVEWEAR**

**FILSPEC**<sup>INC.</sup>  
SPINNING KNOWLEDGE

# The fun side of FilSpec

## – RecoveryFil Comfort wear



- UV Protection
- Anti microbial/Odor resistant
- Humidity control/Softness

# The fun side of FilSpec (Part 2)

- Conductive yarns for intelligent application
  - Sensing/Monitoring
  - Wear Detection
  - Shielding
  - Intelligent Protection
  - Identification
  - The limit is our imagination as long as it has a purpose

# Conclusion

- In our industry, like in most manufacturing industries we are forced to adapt to this reality:
  - Innovation will always be part of our way of life:
  - We have to understand the life cycle of most of our products.
  - Always be on the move

### Average Product Cycle Lifetime for Yarn & Fabric

