



Gutierrez leads Xerium, which makes paper-making equipment.

Xerium moves into China

Youngsville maker adds two plants

David Ranii, Staff Writer

Xerium Technologies, which has been vowing to move into the gigantic Chinese market, has made good on that promise by acquiring two small manufacturers there.

The Youngsville-based company, which makes equipment used in paper production, said Monday that it paid about \$12 million for a pair of companies that own manufacturing plants in two Chinese cities. The companies together generated sales of about \$3.6 million in the first nine months of this year and employ about 50 workers.

"A small acquisition like this comes with customers, a management team, an already known name in the marketplace," said Thomas Gutierrez, Xerium's president and CEO. "It allows us to enter a rapidly growing ... market."

Publicly traded Xerium employs 50 workers at its headquarters in Youngsville, a Franklin County town about 21 miles northeast of Raleigh; the company shifted its headquarters from Westborough, Mass., nearly two years ago. Gutierrez is the former president of the power-systems division of London-based Invensys, which Eaton Corp. acquired in 2004.

In recent years, Xerium has been cutting costs and expanding in markets in Asia, Eastern Europe and South America. The company employs about 3,800 people -- down 100 from a year earlier -- and operates 35 manufacturing plants in 15 countries.

Paper producers in North America and Europe, which today account for three-quarters of Xerium's business, have been consolidating and reducing capacity in response to a glut in

supply, Gutierrez said. But the growing industrialization of countries in Asia, Eastern Europe and South America is boosting demand for paper there.

Xerium is the No. 1 producer of roll covers for the large steel cylinders used on paper machines, providing a better surface that can improve paper quality and reduce energy costs. That business accounted for 36 percent of last year's sales.

Xerium also is ranked second in worldwide market share of synthetic textile belts, similar to conveyor belts, that transport paper as it is processed. That business accounted for 64 percent of sales in 2006.

Over the first three quarters of this year Xerium's profits were down, and sales would have been too except for the positive effect of currency fluctuations. But sales and profits showed positive gains in the latest quarter.

"We believe we are gaining momentum," Gutierrez said. "There will be quarter-to-quarter fluctuations, but we believe the third quarter is a turning point for us."

Profits totaled \$7.1 million for the quarter that ended in September, more than triple the \$2.2 million profit of a year ago. Sales totaled \$153.6 million, up 5.6 percent; sales rose 1.4 percent after adjusting for currency fluctuations.

In addition to Monday's acquisitions, Xerium is expanding its manufacturing plants in South America and building a new plant in Vietnam. Gutierrez said the company will continue to look for other small acquisitions.

Among the 10 manufacturing plants the company has closed was a plant in Wake Forest that was shuttered in 2003, a move that put 133 people out of work.

Xerium shares closed Monday at \$6.03, up 19 cents. The stock has declined 38 percent this year.

<http://www.newsobserver.com/business/nc/story/809224.html>