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## **Strategy taking effect**

GKD is ready for the global division of labour

**Despite numerous challenges and uncertainties in the international environment, the privately owned technical weavers for industry and architecture, GKD – Gebr. Kufferath AG can reflect on encouraging business performance in 2016. With an improved overall situation, sales revenues remained at virtually the same level at €83 million (previous year: 84.2). At the same time, gross profit rose significantly due to a markedly lower material usage. GKD is therefore once again in a better position at the end of the financial year than at the start. This is also reflected in the extremely high equity ratio, which was increased by a further 3% to 54.9%. With capital expenditure of €5.1 million (previous year: 4.4), the company has secured its role as a worldwide technology and market leader. At the end of 2016, the GKD Group had a total of 699 employees (previous year: 693), some 423 of whom work at the main facility in Düren (previous year: 410). GKD trained a total of 22 young people in the financial year 2016 (previous year: 21) and thereby once again underlined the sustainability of its personnel policy.**

The Executive Board at GKD rates the financial year as very positive: "Our strategy of initially increasing value by extending the added value of our products has taken effect," explains Ingo Kufferath, commenting on the results of the past year. His brother, Dr. Stephan Kufferath, sums up the situation by saying: "We are very satisfied with the operating results." Despite difficult market conditions, the company maintained its leading worldwide market position in all business segments. Thanks to its global presence, innovative technologies and future-oriented business models, the high-tech service provider was once again able to address the market



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requirements of discerning niche markets and translate these into sustainable success for our customers. The strategic approach of setting up the fields of expertise as cross-functional solution providers provided strong impetus for this in 2016.

### **System solutions in response to global requirements**

The business performance recorded in the individual business units varied based on the respective economic environment. In the industrial fields of application, which make a contribution to a clean, healthy and safe world with their solutions, sales revenue increased significantly and represented 74.1% of Group revenues in 2016. Water treatment and preparation applications, where industrial mesh and process belts are used for clarifying, cleaning or solid/liquid separation, once again represented a good example of this. The business with the nonwoven industry, which is displaying particular growth worldwide, also enjoyed positive development. Contrary to expectations, the architecture segment was not able to maintain the previous year's figures. This was largely due to sector-typical volatility, which led to postponement of a major project in the US to Q1 2017. However, the approach of transitioning from a mesh supplier to a full-system supplier for architectural applications was once again confirmed as the right strategy.

### **Multi-platform strategy on course for success**

The second largest revenue pillar in the Group by some margin is GKD USA, where the industrial fields of application in particular recorded strong growth. As the third largest site in the Group, GKD South Africa increased its sales revenue in the low double-digit range. The GKD Group's Worldwide Centre of Mining Expertise not only serves the mines in South Africa, but is also very strong in terms of exports and other industrial fields of application. In the architecture segment, this company also set standards in 2016 with the spectacular façade design of the National Statistics Office (Stats SA) in



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Pretoria. However, the political framework conditions in the South African market remain extremely difficult. The particular challenges here include the stipulations of the Broad-Based Black Economic Empowerment policy (BBBEE). With comprehensive regulatory tools, this state programme aims to compensate those communities that previously suffered economic and social discrimination by offering equal opportunities and participation. According to the even stricter requirements put in place in 2014, companies that wish to supply the local mining industry must meet various conditions, including having at least 25% black citizens and giving them a voice in the company. GKD has assumed a pioneering role in implementing this stipulation. Indeed, the SME made a longstanding black employee a shareholder by issuing shares in the required scope. GKD India, which is still a small site, was able to record exponential growth in sales revenue both in the industrial sector and in the field of architecture in 2016. "The results confirm our approach of developing this flourishing growth market through local manufacturing," comments Ingo Kufferath. The original number of looms was already doubled back in 2016 and will be increased by the same number again in 2017. This location will then be able to offer significant weaving capacity. For Ingo Kufferath, this development is also a successful example of the Group's approach to global division of labour. "We have followed industry worldwide with our good products. Through collaboration between our facilities in India, China and the US, today we not only cater to a discerning client base in the Indian market," he explains. The Group believes it will benefit greatly from this - above all in the current and the coming financial year. Following a lengthy search, GKD China finally relocated from Beijing to Qufu in 2016. This new site is located 520 km to the south-east. The location recorded a decline in sales revenue due to the downtimes associated with this. "As a result of the extreme environmental pollution in the Chinese capital, the requisite manufacturing conditions were no longer in



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place for the finest meshes," comments Stephan Kufferath, explaining the necessity of this step. In Qufu, the city where Confucius was born and also died, GKD found the conditions it was looking for in a modern industrial park with an excellent transport infrastructure. In South America, the small subsidiary GKD LatAm displayed very positive development. This was primarily driven by sales revenues in the architecture segment, as well as process belt technology for municipal waste water and mining applications. GKD Middle East did not meet expectations in the last financial year. However, a positive shift is already discernible for 2017. GKD in Australia recorded a good start at a low level. The locations in Europe also displayed positive development. In particular France and Spain enjoyed a strong upward trend in the architecture segment. With the Pavillon Dufour at the Palace of Versailles, one of the most prominent projects in company history was completed. GKD Spain recorded an important success in Tokyo with a large-format MEDIAMESH® display for the flagship store of one of the world's largest fashion houses. "We believe that our strategy of closing all production sites in Europe except for Düren and serving the markets with local sales units has now been confirmed," comments Stephan Kufferath, describing this development. As anticipated, sales revenues at the main facility in Düren represented less than half of Group revenues for the first time in 2016. Production at the Düren location contributed precisely 50% to added value.

### **Making digital twins a reality**

To strengthen its sustainability, the GKD Group invested €5.1 million in innovative technologies, digitalization of processes and further expansion of its production network during the reporting period. With a new loom for producing heavy technical textiles at the main facility in Düren, GKD therefore underlined its claim of cost and technology leadership. This represents a quantum leap for the manufacture of synthetic meshes in terms



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of both technology and performance. GKD also completed a technological leap through procurement of four enhanced looms for fine and ultrafine weaving operations in Düren, which enable development of new, smart products. In addition to this, a second cleanroom was created, which extends the existing cleanroom technology to include further automated manufacturing systems with additional photometry. Significant funds, including many non-capitalizable costs, were also invested in software and hardware. According to Ingo Kufferath, the objective of the digitalization process, which is being driven forward with great vigour, is to create intelligent multipliers on a daily basis through IT-based tools. "This is the only way for us to economically model the cross-divisional and cross-border collaboration through holistic supply chains and business processes," he stresses. The sales and marketing data systems procured in the previous year for capturing images, electronic drawings and product data have been continually expanded. At the same time, work started on recording all business processes throughout manufacturing, including all quality components, and making them transparent through introduction of a **Computer Aided Quality / Manufacturing Execution System (CAQ / MES)**. This project will be completed in the course of 2018. "By mid-2018, all looms and further postprocessing systems at the Düren location will be networked online in the MES," comments Ingo Kufferath. In parallel with this, the necessary modules for planning and prevention in line with the principle of the Plan-Do-Check-Act (PDCA) cycle are being developed to the new ISO 9001:2015 standard. GKD India is already certified to this standard, and the main facility in Düren is set to follow in July 2017. By the end of 2018, all Group locations will then be certified to ISO 9001:2015. With the development of new products and the enhancement of existing ones, all of these milestones on the road to the digitalized factory allow a kind of "digital twins" to be created. As virtual products, these are not only based on a



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structured feasibility analysis, but also contain all features, properties and factors relating to later manufacturing prior to making a costing estimation. This guarantees reliable and secure manufacturing at a very early stage in the process. These holistic and networked processes - from product design, through manufacturing, all the way up to service - help GKD master ever increasing complexity. "In the future, this will be the only way for us to align all processes with customer benefits and thereby make them more successful in the long run," comments Ingo Kufferath. GKD has already implemented this approach in some subsections for the automotive industry.

#### **Further expansion of the production network planned**

Despite increasing uncertainties in the international environment, the GKD Group is still anticipating moderate growth for the current financial year. This is underlined by continuation of key measures on the strategic agenda. The identified growth areas for products and applications that help the company respond to global requirements will be further improved and the multi-platform strategy driven forward. "With the global division of labour made possible by this, we are already well equipped to handle increasing protectionist tendencies," explains Ingo Kufferath. His brother then goes on to add: "In contrast with our market competitors, we are for example very well represented in the US through our dedicated facility. This encourages us in our aim of further expanding our production network – also through acquisitions." To continue growing under our own steam as an independent family business, GKD is increasingly also integrating processes and products that do not fall under the core competency of weaving operations. In the current financial year, assumption of full-scope manufacturing of spiral belts marks a first step on the road to implementation of this future-oriented strategy.

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## **GKD WORLD WIDE WEAVE**

The owner-run technical weaver GKD – Gebr. Kufferath AG is the global market leader for metal and plastic woven solutions as well as spiral fabrics. Four independent business divisions bundle their expertise under one roof: Industrial Mesh (woven metal mesh and filter solutions), Process Belts (belts made of mesh and spirals), Metalfabrics (façades, safety and interior design made of metal fabrics) and Mediamesh® (transparent media façades). With its headquarter in Germany and five other facilities in the US, South Africa, China, India and Chile – as well as its branches in France, Great Britain, Spain, Dubai, Qatar and worldwide representatives, GKD is close to markets anywhere in the world.

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