

Winpak makes a record profit

But packager targets inefficiencies

By Murray McNeill



WINPAK Ltd. isn't about to rest on its laurels after ringing up a record profit in 2006.

The chief executive officer of the Winnipeg-based plastic packaging manufacturer said Monday the company plans to continue investing in new equipment and technologies in 2007 as part of an ongoing effort to eliminate some manufacturing inefficiencies that prevented it from ringing up even stronger numbers in 2006.

"I think the main thing is we continue to invest a great deal in capital projects," Bruce Berry, the company's president and CEO, said in an interview.

Berry said Winpak spent about \$38 million last year on major upgrades of its operations, which include nine production plants in Canada and the United States. Although this year's spending plans haven't been completed, he said the firm will be an "aggressive" spender in 2007 as well.

In releasing its latest financial results Monday, which included record net earnings of US\$32.6 million in 2006 and a profit of \$6.6 million in the fourth quarter alone, Winpak said a "disappointing manufacturing performance" during the final three months of the year drove its manufacturing costs higher and its gross profit margin lower.

"Although manufacturing efficiency significantly improved at one plant in 2006, the company is addressing efficiency with an emphasis on programs to continually improve manufacturing productivity at all plants," it said.

Tony van Rosmalen, the Canadian Manufacturers and Exporters senior official in Manitoba, said that kind of commitment to continuous improvement and to leaner manufacturing practices is what all Manitoba manufacturers must adopt.

"In order for companies to stave off increasing costs and increasing global competition, they have to continuously look for ways to drive waste out of their operations," van Rosmalen, vice-president of the CME's Manitoba division, said in an interview. "Lean is a continual journey."

That's also the message the CME will drive home at its 2007 Manufacturing and Trade Summit, which is being held Thursday in Winnipeg as part of Manufacturing Week in Manitoba celebrations.

The summit will feature 14 keynote presentations in three key areas: leading your business, growing your business and improving your business.

Two guest speakers will be CME president and CEO Perrin Beatty, and David Fung, chairman and CEO of ACDEG International Inc., a Vancouver-based company with worldwide interests in manufacturing, marketing and distribution, technology development and infrastructure projects. Fung will speak on the future of manufacturing.

Van Rosmalen said successful manufacturers such as Winkpak continually look for ways to drive waste out of every area of their organization, not just in the manufacturing operations.

"The companies who do not embrace that... are the ones who will be continually challenged," he added.

Winkpak, which will be honoured as Manitoba's 2007 Exporter of the Year at a gala awards dinner Thursday night at the Winnipeg Convention Centre, saw its 2006 net earnings jump by 40.9 per cent from \$23.1 million in 2005.

The company said the improved results were due in part to some cost-cutting measures it undertook in 2005 and 2006, including the rationalization of two low-profit product lines and the closing of a struggling printed paper bag plant in Toronto.

It also undertook three major capital works projects which should be completed this year. They include the addition of a third extrusion line for high-barrier plastic films at the company's Winnipeg production plant, the expansion of its manufacturing facility in Georgia, and the construction of a new manufacturing plant in Illinois.

Winkpak said the three projects are expected to add \$60 million a year to its annual sales, which topped \$447.1 million in 2006.

Berry said the Winnipeg plant has been incorporating lean manufacturing practices and procedures into its operations for a number of years, and is a member of a local manufacturing consortium that shares lean manufacturing ideas.

Winkpak makes and distributes packaging materials and packaging machines that are used primarily for the protection of perishable foods, beverages and in health-care applications. Its shares (TSX/WPK) trade on the Toronto Stock Exchange and closed yesterday at \$9.82. That was down 18 cents from Friday's closing price.

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