

FTI's Closure No Sudden Downturn

An Exclusive Interview With CEO Don Wheeler

The closing of Film Technologies International Inc. (FTI) in St. Petersburg, Fla., has left a wake of distributors, dealers and employees in need of suppliers and/or employment. It has also left many in the industry scratching their heads—wondering how a longtime supplier could disappear so quickly.

Company officials confirmed that Wednesday, January 26, was the manufacturer's last day of operations. In an exclusive interview with WINDOW FILM magazine, FTI's chief executive officer, Don Wheeler, said that the company's closure was due to a long decline.

WF: An unfortunate situation such as this will often offer up a sort of "moral" or anecdote. This is certainly no time for 'What would I have done differently?' but would you be willing to share some of the factors leading to FTI's closure for the benefit of the industry?

Wheeler: There were several factors, in combination, that impacted the company ... not necessarily in order of importance—I

do believe the industry is under increasing global pressure; pressure that is squeezing the profit margins of all manufacturers. Others may disagree with that, but I think that is a trend that has been going on for a number of years and that manufacturers and distributors probably... are finding it increasingly difficult to pass along increases in the cost of raw materials and other costs of doing business. That's just my personal view. I don't have any documentation to support that, but that's the view I've held for a number of years. That was, I believe, in my best judgment, a contributing factor. Other companies are still surviving and thriving, so that cannot be regarded as the sole factor, but it did have an impact on the business.

Another factor, that was more unique to us, was that the company engaged in an expansion and invested in plant equipment, and did so with the addition of debt in bank loans that, when added to the company's balance sheet, resulted in a capital structure that was top heavy with debt. If there's a moral or an admission that one would give to any company, not just to the window film industry, it would be to seek to avoid getting overly leveraged in terms of your capital structure. And that certainly played a part in our situation.

The third thing I would add, and to be honest, is that the consistency of the company's product quality was undoubtedly sub-standard and contributed ... to an erosion of

confidence on the part of the company's customers and that affected our business as well.

WF: I think it's safe to say many manufacturers face these issues at one time or another.

Wheeler: All manufacturers have had episodes of that. It's well known.

WF: Other manufacturers are obviously going to scramble to pick up the remains, in the way of market share ... [interjects]

Wheeler: Of course. One big comment that I would make, going back to the global scene, is that I believe there are too many manufacturers now worldwide, given the size of the market. And, although the market is still growing, especially in the developing parts of the world, I personally don't think all the manufacturers can survive for the long term. I think more consolidation could well happen. Again, that is just a personal generalization without any analytical support. But particularly the increasing presence and aggressiveness of Asian manufacturers, compared to what this market and business was like ten years ago, has changed the dynamic. I just think there are now too many players in the business. This is one of the things that contributed to the large erosion.

WF: Obviously FTI would have proffered to be acquired, rather than to cease operation.

Wheeler: Sure, sure.





WF: Several companies have indicated that they considered a buy-out. One that has chosen to come forward with a press release is HanitaTek.

Wheeler: Hanita Coatings, the parent company in Israel, did make an offer to buy the company and decided, in the end, not to do so. That is certainly factually correct.

WF: An FTI employee has indicated that the withdrawal of Hanita's offer ultimately led to FTI's immediate downfall; others believe this was a more gradual decline and Hanita happened to represent FTI's last effort to avoid closing. Are you able to say which is correct?

Wheeler: I would not, in any way, say or endorse the rumor or point of view that Hanita's pulling out or not following through with the acquisition was cause for the company's failure.

It was a longer term evolution.

WF: What would you say, if you're able to say, made the closure happen so abruptly? Was it just a matter of trying every avenue and, when the final avenue didn't happen, it was just time and you had to pull the plug?

Wheeler: That's a fair characterization.

WF: With the window film market expanding as it is in many foreign markets, do you feel domestic manufacturers should be ramping up their distribution efforts overseas as a matter of self-preservation?

Following FTI's closure, the company's independent distributors and dealers have suddenly been faced with securing new product lines.

Wheeler: Absolutely.

WF: The domestic market remains to be the largest for window film. Do you foresee that changing?

Wheeler: It depends on how far out you take your crystal ball, but, China certainly—it would not take a genius to predict, just based on the number of people they have—ultimately might overtake this market. But that is many, many, many years down the road I think.

If you take a ten-year horizon, I still think this will be the largest market, but China is going to overtake the U.S. in automobile production and sales, probably in that time period, and the construction boom going on there is well documented. Obviously the standards of living are such that are not anywhere near comparable to those here, so how that works into the equation with window film, I don't know. But it is out there on the horizon and I think any manufacturer that's to survive has to be pretty aggressive about setting up operations and establishing distribution in those markets.

WF: You have warned about over leveraging a company with borrowed money. There have been

many cases in which a bank suddenly 'called the note,' causing a company to go under. Was that in any way the case with FTI?

Wheeler: Our bank has been, and remains even today, very cooperative. We have a good relationship with the bank under the circumstances. I don't want to make the bank the villain here. That would not be appropriate.

WF: We appreciate your openness. I'm sure there is a lot for others to learn from this unfortunate situation and set of circumstances.

Wheeler: I like to think that we did all that we could do.

This has not been a fun year. I was retired and came back to attempt to salvage the company, and so forth. Everybody here put forth a tremendous amount of effort in the year that I've been back and made a lot of sacrifices, and actually accomplished a lot, but the company, in the end—now looking in hindsight—was too steep in a decline ... especially with the debt load it had.

WF: We truly appreciate your time and willingness to share. Our hearts go out to everyone involved.

Wheeler: Thank you very much. I appreciate your sentiment and thanks for the call. **WF**