

A Bright Future for Crane Currency

This January, the banknote papermaker, printer and security feature developer Crane Currency was acquired by Crane Co from private equity firm Linsday Goldberg and the Crane family for \$800 million, bringing to an end more than two centuries of family ownership. The company has had an impressive growth record in recent years, is currently putting the finishing touches to a new state-of-the-art printworks in Malta, and has just announced the closure of its printworks in Sweden.

Although Crane Currency sells its products around the world, it is perhaps best known for supplying the paper for US currency, as well as its *MOTION*[®] micro-optics technology, which at the time of its launch represented a quantum leap in optical security features, and is now specified in over 100 banknotes. The latest incarnation of this technology, *MOTION SURFACE*, made its debut late last year on the Kyrgyzstan 2,000 som commemorative note.



Annemarie Watson.

With so much happening at the moment for the company, *Currency News*[™] caught up with Annemarie Watson, who took over as President on the completion of the acquisition, to find out about life under the new owners, and what we can expect to see next from the company.

Q: *Can you give some background on your career to date, and how you ended up at Crane Currency?*

A: I started my career at Honda in Canada as an engineer. It was a great exposure to lean manufacturing at a time when we didn't really call it that; it was just how we worked everyday. I eventually had a desire to get to the business side of things and was fortunate enough to get accepted to Harvard Business School, so I completed that training and went into consulting to get a broader feel for different industries.

I developed a passion for technology-driven businesses where operations play a key role, so I left consulting to join a life sciences company called MDS, where the CEO at the time was Stephen DeFalco.

Years later after having been involved in operational excellence and customer service, Stephen called and asked me to take a job with a very interesting company called Crane in Massachusetts where, by that time, he was CEO. So I did, joining as our VP of Operations across the three businesses we held at the time. I fell in love with the currency industry and its products, and when Crane decided it wanted to focus purely on currency, the other two businesses were divested and I became Currency's International President nearly five years ago.

Following the acquisition by Crane Co, I was thrilled to take on the role of President.

Q: *What does the acquisition mean for both companies?*

A: It's a good partnership. What Crane Co is known for is being a great operational player with extremely strong quality, processes and practices, delivering highly engineered products to a wide customer base. With Crane Currency growing as fast as we have, that's a welcome mix to ensure we stay on track with a strong and controlled trajectory without missing a beat. What is most exciting is that Crane Co bought us for the long term. As you can imagine, private equity owners are looking at a five or seven or ten year timescale before transfer of ownership. But with Crane Co, there is security in knowing we have an owner that has a long term view. It's also pretty convenient to have the same name.

Crane appreciates our growth (averaging 10% per year over the last five years), our heavy investment in technology, and our focus on design to leverage this technology to provide world class products.

The other thing to mention is Crane Payment Innovations (CPI). We knew them and worked with them prior to the acquisition. But whilst we obviously know about design and production and how to serve central banks, their understanding of what the currency does in the marketplace and how it is performing provides a new level of visibility and detail that we didn't have as good of an appreciation for before.

So, I think this new ownership for Crane Currency will make us stronger and it's a case of 'stay tuned' as we start to discover what else we can do together.

Q: *So where do you sit within Crane Co?*

A: We are a stand-alone division, but we fit within the Payment and Merchandising Technologies group, as does CPI.

Q: *Can you give a quick snapshot of the structure of Crane Currency – size, number of employees etc?*

A: We have revenues of around \$500 million and 1,300 or so employees. We have several locations in the United States – in Dalton, Massachusetts, which is where the company started and which still serves the US side of the business; Boston, which is our global headquarters; Nashua in New Hampshire where our security features are made; Alpharetta in Georgia, where our R&D is located. Our international business has sites in Tumba in Sweden making paper and our newest facility in Malta, where we print banknotes.

Q: *Lets move to Malta now: there is overcapacity in the market, and many believe that in time there will be a downturn. Given this, what is the rationale for building a new printworks? And why Malta?*

A: I would agree that the market has been tightening up, but our volumes have increased so we need to expand our footprint to produce those volumes and provide the service our customers expect.

And, to answer the question about Malta – there are a lot of great reasons. Its proximity to our customers in Asia and Africa is one, as well as being part of the EU, and access to a really talented workforce, since banknote production has been taking place in Malta for the last 40 years.

Q: *Production has now started, although the facility isn't yet complete. When will that be?*

A: We have one line up and running. The second line is due to be commissioned and running by the third quarter. And we are building the Customer Experience Centre. Everything should be completed by this September or October.

Q: *Is it the plan to ultimately have three lines?*

A: We haven't yet decided on three lines, but we have the space for a third line if we need it.

Q: *So moving to Sweden, is the closure of the printworks inevitable following the decision to build a new plant in Malta?*

A: No. Of course, when we first started looking in Malta we had different business models, but when we made the decision to put in two new lines, it was taken separately from the future of our one line in Sweden.

We did think long and hard if we could keep the printworks in Sweden running and how to make that work, but having just the one line is actually the biggest barrier. It is hard to stay competitive in this business with just one line, as the amount of support and infrastructure is substantial. We have an old building in Tumba, with no room to put a second line – so given that we had to grow, the only place to do so was somewhere else.

We came to the realisation that we couldn't make Tumba work with just the one line and so made the decision to close it. It is the right decision, but still a very difficult one.

Q: *You have made a virtue in the past of being the only company to have design, paper production and print all on one site. How are you going to manage to have design and paper in Sweden, and print in Malta?*

A: We have been unique in that respect, and it's been great to be able to simply walk across the street between the paper mill and the printworks. But whilst it's been convenient, in this global day and age, it's certainly not critical.

Added to which, we are building a Customer Experience Center in Malta and will have design resources there too.

Q: *Do you have a date yet for the closure of the Tumba printworks?*

A: We are still in discussions with the unions, but it is likely to be towards the end of 2018, or early 2019.

Q: *On the product side, late last year you released a new version of your micro-optics technology – MOTION SURFACE. What has been the reaction to this new feature?*

A: There's a lot of interest. We're extremely pleased by the the introduction of Kyrgyzstan 2,000 som banknote, and by the NBKR's satisfaction with it, the process of its design, customisation and integration of MOTION SURFACE and the positive news surrounding its issuance. We see a lot of opportunities to mirror this success, and are really excited about the feature's future.

Q: *Any other developments or features in the pipeline that you can tell us about?*

A: Several, as you can imagine, including one that will be launched by the end of the year. We haven't shared it yet, but we will. So watch this space.

Q: *What percentage of your turnover do you invest in R&D?*

A: This is going to be one the benefits that Crane Co brings. Their investment in the payment segment has typically been 7-8% of turnover. Ours until now hasn't been so high – we have been in the process of increasing it, and will continue to do so as we invest in breakthrough technologies to serve our customers' needs.

Q: *What would you say makes you special/different from other banknote printers and suppliers?*

A: Where we think we are unique is in being able to customise our security features, working with our customers as partners in design – our micro-optics technology is a very good example of that, and a catalyst for it.

And then there is the technology itself. Every time we come out with a new micro-optics feature, it's of huge interest and the number of effects that we can create can be accomplished in half the time it normally takes for new features to be introduced. Thanks to our partnerships with central banks, we find their desire to maximise those dynamic effects adds new and exciting dimensions to these features

We have been working for several years now to get the ingredients in place to really bring a world class offering to our customers – be it in design, technology, integration or service. And the latter will only get better with the new facility in Malta, by combining a design centre with state-of-the-art presses that are going to be able to do things that we have never been able to do before. We are very excited about the future.

Q: *Going back to the acquisition now, you will be basically operating independently, albeit with more investment and support and, of course, working more closely with CPI. Can you talk about any other changes going forward?*

A: Crane Co is a great operator: they understand production and R&D and are looking at the long term as regards investment – seeing where we can improve our offerings, how we can respond to fluctuations in the market, how to deal with demand in the short term as well as planning for the long term – 10-15 years ahead.

And Crane Co certainly knows the cash business, through CPI. So they have a big picture view of long-term investment and operational excellence, as well as a narrower view in terms of the intricacies of the cash business. You can't say that about many companies.

As to where this will take us, we are planning for growth, but importantly investments in what we can do to take a step forward each day in providing the most secure beautiful and quality banknotes to our customers.

Crane Currency Chooses Parvis ABACO for New Factory

An agreement has been signed between Crane Currency and Parvis to supply the latter's ABACO-MES (Manufacturing Execution System) as the IT framework to run the new factory Crane Currency is building in Malta.

The Parvis ABACO solution is designed to collect data directly from the printing line to give real-time visibility of work in progress. It also provides specific functionalities such as sheet counting directly on press, traceability data collection, and workflow management.

In addition, ABACO is designed to exchange all such valuable data with other external resources like ERP or production scheduling systems.

The agreement between Crane Currency and Parvis also includes cooperation for the development and testing of new functionalities of ABACO that will allow Parvis to further improve its platform and Crane to implement a state of the art banknote printing plant.

Commenting on the agreement, Roberto Salgari, Managing Director of Parvis, said: 'this installation of ABACO in a totally new production environment is a great opportunity to fully exploit the capability of our solution and to further enhance the services we offer. Furthermore, the agreed cooperation with Crane Currency will be of mutual benefit for both our companies, giving us the opportunity to bring banknote production control to a higher level.'

'We are delighted to partner with Parvis in our new banknote production facility in Malta,' stated John Scott, Director of Operations, Crane Currency Malta. 'ABACO fits well with our commitment to use the best solutions to better meet the evolving requirements of our central bank customers.'