

COMPANY STRATEGY

Platinum Equity ushers in new era of growth at Solenis

The specialty chemicals giant has come a long way since being carved out of Ashland in 2014. Its decision to forgo a public listing will see it merged with the former Lonza Water Care business under a new private equity owner. Where can it go next?

Platinum Equity's \$5.25 billion bid for specialty chemicals manufacturer Solenis means that Clayton, Dubilier & Rice has virtually tripled the value of the business since carving it out of Ashland for \$1.8 billion in 2014.

Since that time, Solenis has completed eleven acquisitions (see table, facing page) – including a transformational merger with BASF's paper wet-end and water chemicals unit in 2019 – while building a robust service business around its core chemistries for water-intensive industries.

Platinum intends to merge Solenis with the Sigura Water business it acquired from Lonza in 2019 to create a \$3.5 billion-a-year company with an enterprise value of around \$6.5 billion.

"There are two things that our customers really want: service and technical capability, and a great portfolio of technologies, and so we've really focused on building our service and technical capabilities globally, while continuing to invest in new products," Solenis CEO John Panichella explained to GWI this month.

An important part of Solenis's evolution on the service side has been the development of its Optix technology suite, which uses custom algorithms to optimise customer processes. Launched in early 2019, the company has invested heavily in rolling tailored versions of the system out to the different market segments it serves across consumer and industrial verticals.

"We take customer data and we optimise the process and chemical feed to give them a better result, whether it's a productivity result by getting more throughput, or a cost-saving result by getting cost out of the system," Panichella explained.

He is convinced that the time and expense required to tailor the system to the needs of different market segments is justified. "Our applications generally touch

STRENGTH TO STRENGTH

John Panichella's tenure at Solenis has seen him complement the core chemicals business with cutting-edge service and monitoring capabilities.



Source: Solenis

a small part of the customer's operating budget, but can have a pretty big impact on their operating costs."

At the same time, Solenis's OnGuard suite of products take a unique approach to measuring corrosion, deposition and bio-film, which Panichella believes differentiates the company from competitors active in the chemical feed and control market. "We actually read what's on the surface through our sensors, and we think that's a more effective way to measure," he told us.

On the chemistry side, Solenis has prudently built out its portfolio in order to position itself in key growth sectors within its addressable market, which Panichella estimates is in excess of \$30 billion. "We have some really interesting new biocides that we're selling both in the water treatment and paper process areas, and we have some great strength technologies in the fibre

area," Panichella told us.

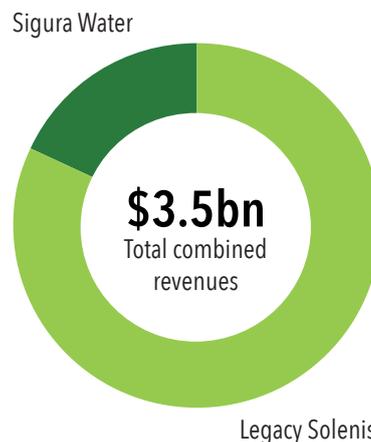
While one of the benefits of the BASF acquisition was to strengthen Solenis's position in specialty chemical solutions for fibre-based packaging, the addition of Belgian company Topchim gave it access to a range of barrier coatings for the key growth market of fibre-based food packaging.

"Food packaging is really starting to take off, driven by the concept of replacing single-use plastics," Panichella explained. "Almost all of the major brand owners have plastic replacement options underway, and that really helps drive growth for us, as our chemistry makes paper-based packaging viable. We've developed a series of water-based coatings that make those fibre products recyclable and compostable, and it drives the whole sustainability story by taking plastics and other non-sustainable materials like PFAS out of consumer products. That's right in the sweet spot of what we try to do as a company."

Solenis has also ridden the wave of paper recycling (see chart, facing page) by assembling a suite of solutions, including the strengthening agents required as ►

P&L AT THE NEW SOLENIS

The addition of Sigura Water will take Solenis' annual revenues to \$3.5 billion, split approximately 60:40 for consumer vs. industrial.



Source: Platinum Equity, Moody's

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John Panichella, CEO, Solenis

fibres break down after repeated recycling. “Our product re-establishes the strength in that fibre, so as people recycle more, that generally drives more demand for our solutions,” Panichella observed.

With the “Amazon effect” resulting in increased demand for corrugated packaging, Solenis is well positioned for future growth. For example, the most recent edition of the Pitney Bowes Parcel Shipping Index, released last October, predicts that global shipping volumes are likely to more than double by 2026, after a record 103 billion parcels were sent in 2019.

End-market diversity

The folding in of the Sigura Water business (formerly owned by Lonza) will bring a new dimension to Solenis’s end-market exposure, as well as an opportunity to broaden the group’s industrial footprint.

“It’s fundamentally a biocides business, and the business today is primarily focused around pools and spas,” Panichella explained. “The technologies they have – like calcium hypochlorite – are used extensively in the industrial markets, so our strategy is to leverage the footprint they have and introduce them through our industrial channels,” he told us.

Going forward, the expectation is that Platinum Equity will support further acquisitive growth for the expanded Solenis, in order to build on top of the market-beating 4% organic growth rate the

SOLENIS’S ACQUISITIONS HISTORY UNDER CD&R

The company has acquired distributors in growth markets around the world, while amassing a suite of chemistries geared towards key customer segments. There are still gaps in the portfolio.

Year	Asset acquired	Country	Portfolio benefit
2020	Poliquímicos, S.A. de C.V.	Mexico	Specialised chemical solutions for water-intensive industries
2020	ChemSystems	South Africa	Solenis paper chemicals distributor in Africa
2019	BASF’s water chemicals business	Germany	Paper wet-end & water chemicals unit
2018	Topchim NV	Belgium	Ecological coatings for paper & cardboard
2017	Nopco Colombiana S.A.	Colombia	Chemicals supplier in Central and South America
2016	Nopco Holding AS	Norway	Advanced chemical solutions for the pulp and paper
2016	Nuplex Pulp & Paper	Australia	Solenis products distributor in Australia and New Zealand
2016	Lostris International B.V. / Wester Blend B.V.	Netherlands	Specialty chemicals for pulp, tissue and towel
2015	Quimatec Produtos Químicos Ltda.	Brazil	Specialty chemicals for sugar and ethanol processing
2015	CBC India (selected assets)	India	Pulp and paper business in India
2015	Clearwater Specialties LLC	USA	Specialty chemicals for tissue and towel

Source: GWI WaterData

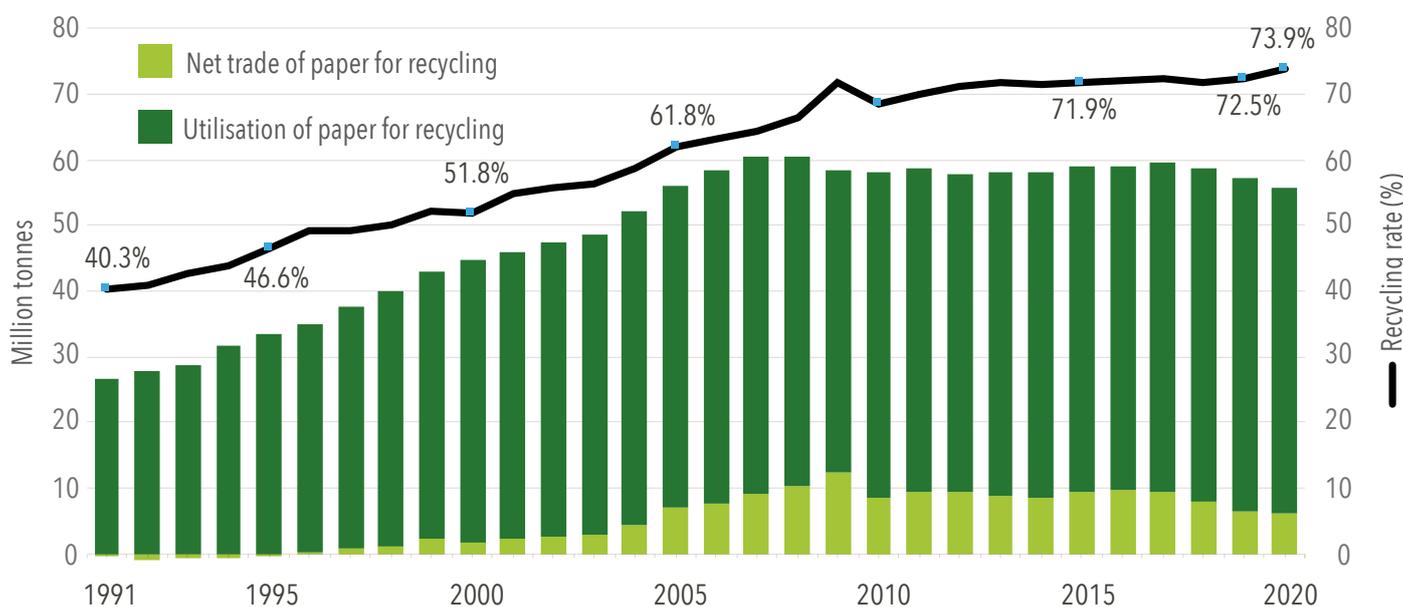
company has succeeded in achieving.

“The eleven acquisitions we’ve done fall into three buckets: geographical access, technologies that enhance our portfolio, and transformational,” said Panichella. “I think those three opportunities still exist

today. There are opportunities for us to continue to expand our geographic presence, there’s opportunity to continue to bolt on technologies where we have gaps, and there are clearly transformational opportunities out there.” ■

PAPER RECYCLING TRENDS IN EUROPE

The percentage of paper recycled in European countries has increased in line with the demand for chemistries which facilitate the recycling process. While demand for packaging has risen, there are signs that the long-term structural decline in demand for graphic paper may have bottomed out.



Source: Cepi