WATER CHEMICALS

Italmatch expands its global manufacturing base with Compass acquisition

The Genoa-based chemicals group has bolstered its presence in the water additives market by making its fourth acquisition in as many years. It is part of a multi-faceted response to industry pressures masterminded by founder Sergio Iorio.

Private equity-backed specialty chemicals business Italmatch Chemicals has reinforced its presence in the North American water additives market by acquiring Compass Chemical from One Rock Capital Partners.

The deal will boost the annual revenues generated by the water additives segment of the Italmatch group to around $150 million, and will enable Italmatch to manufacture chemicals in the US for the first time, at Compass's site in Smyrna, Georgia.

"This is a very important step for Italmatch," CEO Sergio Iorio told GWI. "The plan is to bring part of our manufacturing from Europe into the US, giving us a cost and logistical advantage for our customers in the North and South American markets. Compass also broadens our product portfolio: not only they are the North American leader in anti-scalants, which is a core business for Italmatch, but they also bring exposure to biocides, which is new to us."

Water chemicals suppliers are increasingly under pressure to adapt their strategies in the face of commoditisation and cheap raw materials imports from China (on 24 June, the US Department of Commerce is expected to deliver its preliminary countervailing duty determination on allegedly subsidised imports from China of HEDP – a widely used anti-scalant with applications in commercial cooling water systems and reverse osmosis desalination).

ITALIAN MATCHMAKER

Sergio Iorio, the CEO of Italmatch Chemicals, has built up an unrivalled portfolio of water additives solutions over the past five years. Targeted acquisitions have been a key part of his strategy.

Italmatch has combined a robust internal R&D programme with selective acquisitions in order to position itself for profitable growth. It entered the water additives business for membrane desalination through the purchase of the Dequest business in 2013 (*see table below*), added soluble polymers in 2014, and entered the market for corrosion inhibitors earlier this year through the acquisition of Solvay's phosphonates and phosphonic acid-based products business, which gave it access to the thermal desalination market.

"We are trying to shift from commodities to specialities, and the strategy for us was to build up a global portfolio in water chemicals. Italmatch now has the most complete chemical additives portfolio for the water sector, and we have a unique position in the desalination market," stated Iorio.

The development of the portfolio has not come solely through acquisitions, and the establishment of a water excellence centre in Milan with around 30 dedicated R&D staff underscores the group's commitment to innovation at home.

"We are working on very high temperature, very high pressure oilfield products, and in thermal desalination, the trend is to go toward higher temperatures, so we need more stable molecules, which are very expensive to build," explained Iorio. "We would also like to strengthen our corrosion inhibitors line, we would like to extend the polymer line, and maybe add biofouling and anti-oxidants," he indicated.

The group's water additives business now accounts for more than a third of Italmatch's €350 million annual sales figure, and with an EBITDA margin in the 20% region, it enjoys continued support from private equity owner Ardian, which bought into the business in 2014.

"Compass will remain as a profit centre in the US, and we have an integration plan which will take about 12 months to complete," said Iorio. He is adamant that, although Italmatch is open to further acquisitions in order to enhance its product portfolio, it will remain focused. "We are, and we want to remain, a chemical company," he told GWI.

With an established track record of integration and profitable growth behind it, Iorio's dream of exceeding €500 million in annual revenues does not seem excessively ambitious. ■

THE ADDITIVE EFFECT OF A GLOBAL GROWTH STRATEGY

Through a combination of organic and acquisitive growth, Italmatch has expanded its reach to become a global leader in water additives. Group revenues now stand at around €350 million.

Year	Business acquired	Portfolio contribution
2016	Compass Chemical International	Manufacturing presence in North America; enhanced exposure to corrosion inhibitors; entry into biocides market
2016	Solvay's water additives business	Phosphonates/phosphonic acid-based products; first -time exposure to water additives for thermal desalination
2014	GRS Chemical Technologies	Soluble polymers for water treatment; additives for combustion applications
2013	Dequest/Thermphos chlorides	Entry into water additives for membrane desalination; enhanced presence in Singapore, Japan and the US

Source: Italmatch Chemicals