



THE CHEMICALS
& COATINGS
FAST 25

ALANTRA

The world at their feet



1.



2.

The UK's innovative and high-tech chemicals and coatings businesses are outperforming in the global marketplace.

Policymakers and business leaders requiring inspiration as British companies are urged to pitch their wares to the global marketplace need look no further than the chemicals sector. With international sales of almost £50bn, the sector is the UK's largest exporter of manufactured goods; almost two-thirds of businesses in the sector have at least some international revenues.

THRIVING ON THE GLOBAL STAGE

Internationalisation is certainly a key theme of the Alantra Chemicals & Coatings Fast 25, which ranks the UK's fastest-growing privately-owned chemicals and coatings manufacturers. Almost all the constituents have overseas sales and, in many cases, the strength of the Fast 25's exports have helped to underpin their rapid growth. But how do these private UK companies operate on the global stage and, in many cases, compete with multinational giants?

At Wetherby-based speciality chemicals manufacturer Lambson, which tops this year's Fast 25, over 80% of sales come from international markets. The business – which

has core interests in photo-chemical products, performance additives and personal care – puts its success down to a focus on collaboration with its customers. Through focused research and development performed in conjunction with its clients, Lambson has developed deeply embedded customer relationships, from which the business is now reaping the benefits.

Second placed Exwold Technology has a similarly global client base, with over 70% of its products being exported. The Hartlepool-based business, which provides contract manufacturing services to the agrochemical and speciality chemicals markets, has seen impressive compound sales growth of almost 23% in the last two years. For Kevin Martin, CEO of Exwold, a key ingredient of their success is the way in which they partner with clients. "We work on the basis of trust and reputation with our clients. It's very much a partnership approach – we invest together and grow together."

Given the growing importance of international trade, could the UK's impending departure from the European Union (EU) impede the international business model of Lambson, Exwold and other companies in the sector – particularly since a reported 60% of industry exports go to other EU countries? Not in the longer run, argues Kevin Martin. "It's difficult for any business to plan without clarity about what the future looks like and we don't have that on Brexit," he says. "But the sector has important strengths, with cutting-edge technologies and a widely-admired skills base."

Mathew Hutchinson, a Partner at CBPE, a private equity investor with a strong track record in chemicals, shares this view. "The strength of the top-performing UK chemicals businesses is the value they add; they're competing on technology, innovation and quality, rather than volume, and those attributes will remain compelling in the post-Brexit era," he says. "The UK also has demanding regulatory standards that are internationally accepted so market access isn't going to be an issue for this reason."

Arguably, the privately-owned businesses in the Fast 25 are particularly well-placed in this context. They very often compete with highly-differentiated and bespoke products and have developed strong relationships with key customers that are less vulnerable to pricing sensitivity or margin erosion, where Brexit or other macro drivers may cause difficulties.

1. BERND SCHNEIDER
MANAGING DIRECTOR,
GLOBAL HEAD OF CHEMICALS

2. ALI ROBERTSON
DIRECTOR,
CHEMICALS AND COATINGS



These businesses have the products and technologies that the broader chemicals industry is looking for as everyone attempts to develop products that are lighter and more durable.

MATHEW HUTCHINSON
CPBE

ATTRACTING INTERNATIONAL ACQUIRERS

Certainly, the anxieties of Brexit – including the potential for new tariffs on cross-border sales to EU member states and question marks over how the EU's REACH legislation will be applied in the UK post-Brexit – do not appear to have diminished the appetite of investors in the sector. M&A remains robust and international acquirers of UK chemicals and coatings businesses continue to circle.

“Consolidation is going to continue to be an important theme in the chemicals industry globally, with mega deals boosted by the availability of cheap money, and further deal making on a smaller scale as the dust settles,” argues Bernd Schneider, Alantra's Global Head of Chemicals. “Demand for UK businesses will remain strong, particularly given the way in which Asian buyers are now increasingly looking to boost their access to intellectual property and technology.”

In fact, four members of last year's Fast 25 have subsequently been acquired by international buyers, including Stirling Lloyd and Spencer Coatings, which came top and second in the rankings respectively, as well as RP Adam and Fine Organics. At CPBE, Mathew Hutchinson also expects deal-making to continue to be a feature of the landscape for privately-owned chemicals and coatings companies.

“These businesses have the products and technologies that the broader chemicals industry is looking for as everyone attempts

to develop products that are lighter and more durable,” he argues. “It's also common to see UK businesses with a high-value service element to their business models working with customers to improve their efficiency, or to improve performance-monitoring.”

Such services, which also commonly include ancillary work such as training and product support, provide businesses with additional diversification, and are also less impacted by the increase of raw materials prices over the past year, which has been a headwind for the sector.

OVERCOMING RAW MATERIAL HEADWINDS

The cost of imported chemicals rose by five per cent over the 12 months to February 2018, with UK businesses having suffered something of a double whammy in recent times; not only have prices been rising in absolute terms, but the depreciation of sterling has added to their woes.

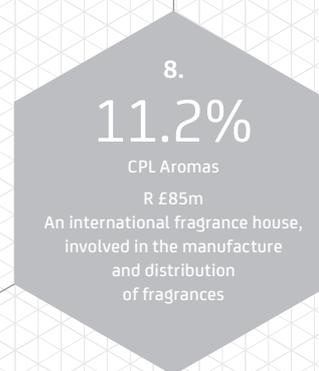
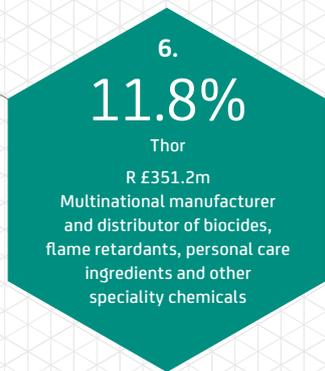
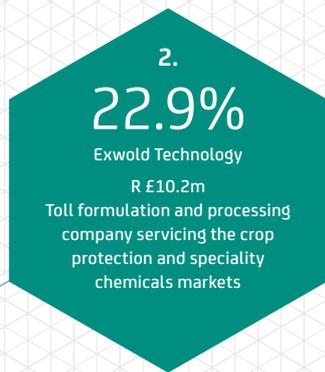
Still, it should be recognised that one driver of higher raw materials prices has been stronger-than-expected global economic performance, which has been a boost for many UK companies. In the coatings sub-sector, for example, Fast 25 constituents such as Leeson, Sanglier and Winn & Coales, which have exposure to the construction and infrastructure industries, have been beneficiaries.

China, along with the world's emerging economies, continues to underpin global growth, and these are providing new sources

of customers for companies such as Fast 25 constituent PolyBlend. It helps, says Mark Stewart, managing director of the Widnes-based polymers specialist, that e-commerce now offers a new route to market. “In a global marketplace, these new channels have enabled us to reach a much broader marketplace,” he says. “We've actually been taken by surprise by the speed at which ecommerce has become important to us.” Most of the company's growth is coming from export markets, Stewart adds, including both developed economies and emerging markets such as the Czech Republic and Russia.

In PolyBlend's case, as with so many other members of the Fast 25, the company is benefitting from having a product portfolio that sits at the top of the value chain. And for as long as these businesses are able to maintain their high quality, flexibility and elevated service levels, the future looks bright.

The remarkable rates of growth generated by many Fast 25 companies are a testament to the innovative, entrepreneurial and outward-looking culture of the UK's chemical and coatings industry. Despite headwinds including pressure on margins and the lack of clarity around Brexit, such businesses continue to prosper. Such resilience, in what continues to be testing market conditions, is impressive – this is a sector with an impressive track record and an exciting future.



The Fast 25

KEY

00 Rank

% 2-year CAGR

C Company

R Revenue (£m)

TD Trade description

● Speciality

● Coatings/adhesives

● Hygiene/cleaning

● Agrochemicals

● Commodity

● Fragrances

11	10.2%	C Autosmart R £24.3m TD Manufacturer of valeting and maintenance products for vehicles	19	7.1%	C Airedale Chemical R £46.6m TD Manufacturer of industrial chemicals, surfactants, phosphates and phosphonates
12	10.1%	C Sentinel Performance Solutions Group R £18.0m TD Manufacturer of treatment products for residential central heating and hot water systems	20	6.8%	C Penn-White R £7.6m TD Manufacturer of silicone emulsions, antifoams, defoamers, foam control, anti static and wax emulsions for print
13	9.8%	C Miswa Chemicals R £12.4m TD Manufacturer of car care products and insecticides	21	6.6%	C Star Brands R £17.2m TD Manufacturer of laundry and household hygiene chemical products for home and commercial uses
14	9.3%	C Shorrock Trichem R £23.5m TD Manufacturers and distributors of cleaning chemicals and janitorial equipment	22	6.4%	C Synchemicals R £27.6m TD Manufacturer of fertilisers and professional horticultural products
15	9.2%	C Libra Speciality Chemicals R £22.9m TD Manufacturer and global distributor of surfactants and speciality industrial chemicals	23	6.1%	C The Coventry Group R £19.8m TD Manufacturer of cleaning liquids, powders and tablet products for the retail and professional hygiene markets
16	8.9%	C Polyblend UK R £12.9m TD Manufacturer of liquid polymers and PVC plastisols	24	6%	C West & Senior R £12.7m TD Manufacturer of pigment and additive preparations used in the polymer, rubber and allied industries
17	8.5%	C U-Pol R £68.9m TD Manufacturer of automotive refinish products to the motor industry	25	5.8%	C Industrial Chemicals Group R £102.5m TD Manufacturer and supplier of industrial chemicals to a wide variety of industries
18	7.5%	C Doff Portland R £15m TD The UK's largest independent manufacturer of insecticides, weedkillers and pesticides			

The Alantra Chemicals & Coatings Fast 25

The Alantra Chemicals & Coatings Fast 25 ranks the fastest-growing UK chemical and coating manufacturing businesses according to their revenue growth over the past two years (the businesses must be registered in the UK as private, independent and unquoted companies). The businesses must have achieved annual revenues of at least £5 million and EBITDA of £1m or above in their most recent statutory accounts to be included.* Private companies backed by private-equity funders are included. This year's leaders are:

- Lambson: 24.6% CAGR
- Exwold Technology: 22.9% CAGR
- Leeson Chemicals: 15.2% CAGR



*In addition, entrants are required to have filed three consecutive years of financial statements at Companies House, with the most recent statements dated no earlier than 1 April 2016. Filed accounts must also show two successive years of revenue growth. Companies that have shares listed on a stock exchange, or where any of their shares are held by a UK or overseas quoted company, will not qualify for inclusion.

Chemicals & Coatings sector

The Alantra Chemicals and Coatings team combines deep sector expertise with access to strategic global buyers and investors.

Examples of our Chemicals & Coatings deals

COMPANY SALES

 	 SALE TO  £397m	 	 SALE TO  En/d	 	 SALE TO  £84m
--	---	--	--	--	--

PRIVATE EQUITY TRANSACTIONS

 	 SMBO  £80m	 	 SALE TO  En/d	 	 SMBO  En/d
--	---	--	--	--	---

ACQUISITIONS

 	 ACQUIRED  En/d	 	 ACQUIRED  En/d	 	 ACQUIRED  En/d
 	 ACQUIRED  En/d	 	 ACQUIRED Diversified Silicone Products En/d	 	 ACQUIRED  En/d

ALANTRA

Alantra is a global investment banking and asset management firm focusing on the mid-market with offices across Europe, the US, Asia and Latin America.

FULL ADVISORY SERVICE

Alantra advises business owners, management teams and financial investors on:

- M&A transactions
- Private equity
- Equity capital markets
- Debt capital markets

GLOBAL REACH

Our team of 300 corporate finance professionals are present in over 20 countries:

- Advised on over 700 deals worth more than €100bn
- Over 50% of our deals are cross-border
- Quoted partnership with over 100 partners leading deals

SECTOR EXPERTISE

Deep coverage of chosen niches:

- Over 250 business sold to strategic trade acquirers
- Cross-border relationships with strategic acquirers and capital providers

CONTACT US

If you would like to discuss the Alantra Chemicals & Coatings Fast 25, find out more about our work in the Chemicals & Coatings sector or how we can help you achieve your objectives, please contact us:

Bernd Schneider
bernd.schneider@alantra.com

Ali Robertson
ali.robertson@alantra.com

+44 (0) 20 7246 0500

ALANTRA

THE GLOBAL MID-MARKET SPECIALIST

Austria & CEE
Belgium
China
France
Germany

Greece
India
Ireland
Italy
Latin America

Netherlands
Nordics
Portugal
Spain
Switzerland

Turkey
United Kingdom
United States

Alantra Corporate Finance LLP is a limited liability partnership registered in England & Wales (registered number OC306421).
Registered Office: Bank House, 8 Cherry Street, Birmingham, B2 5AL.

Alantra Corporate Finance LLP is authorised and regulated by the Financial Conduct Authority (number 478406)

© Alantra Corporate Finance LLP 2018

alantra.com
