

# Arkema shifts to acquisition mode as divestment programme concludes

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Arkema is shifting into acquisition mode following the completion of its three-year divestment programme, with around €1bn earmarked for investments over the next few years, the CEO of the France-based specialties company said on Thursday.

After completing its 2015-17 initiative to sell down €700m worth of operations as part of its ongoing rebalancing of geographic focus and a push to derive 80% of sales from specialties by 2023, the company is shifting into a programme of bolt-on purchases.

This will be focused on Bostik, the adhesives specialist Arkema acquired from former parent Total in 2015, Le Henaff said, along with the high performance materials division that houses it, and downstream acrylic opportunities.

"We plan to have half organic growth, half external growth in the coming three to four years, meaning €1bn of acquisitions, and we have the flexibility to deliver that," Le Henaff said, noting that beyond potential small-scale sales of incidental parts of the company's operations, no further divestments are planned.

The company is aiming to derive a third of its sales from Bostik by 2023, with acquisition investment a substantial driver behind that. The company completed the integration of Netherlands-based sealants company Den Braven and flooring chemicals specialist CMP into Bostik last year, and completed the \$205m purchase of US flooring adhesives producer XL Brands in early 2018.

Bostik's earning before interest, taxes, depreciation and amortisation (EBITDA) contribution has risen 50% since the company was acquired, according to Arkema, and acquisition opportunities continue to abound in a sector the company characterises as extremely fragmented, with few large dominant players.

The company is also looking to substantially increase capital expenditure on its industrial operations in 2018 following [strong growth](#) in earnings in 2017.

Industrial investment is likely to grow by around €120m year on year to €550m, driven in part by substantial new mooted investments in developing local polyamides production in Asia.

Substantial investment in Asia polyamides capacities is driven by a push over the last decade to manufacture materials in the location they are sold, reducing the impact of currency translation costs and shipping.

"We have a much better balance now, between where we manufacture and where we sell, meaning this transaction effect is much lower," Le Henaff said.

"Where we still have work to do in terms of geographic development is polyamides," he added. "We and our competitors manufacture in Europe so this is the last major step to having a good balance between the regions of the world," he added.

Arkema has committed to increasing its global production capacity of polyamide 12 by 25% through a substantial capacity ramp-up in Changshu, China, by 2020, and is to move forward with a €300m investment in a new polyamide 11 plant at an as-yet undisclosed location in Asia this year.

Expected new capacity this year will focus around the US and Asia, with a poly-ether-ketone-ketone (PEKK) facility coming onstream online in Mobil, Texas, expanded polyvinylidene fluoride (PVDF) capacity in Calvert City, Kansas, and a new powder coatings facility expected online in Navi Mumbai, India.

None of the significant new capacity investments expected online through 2021 are located in Europe.

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