

BUILDING ON THE MOMENTUM

BWA Water Additives rides crest of rising demand for specialty **WATER TREATMENT** chemicals

FIVE YEARS AGO, Chemtura sold BWA Water Additives for \$85 million. At the time, BWA had no manufacturing assets, about 40 employees, and a little more than \$80 million in annual sales. Earlier this year, Bahrain-based Seera Investment Bank sold BWA to Philadelphia-based investment firm Berwind for \$300 million. The business still has no manufacturing assets, but it now has 80 employees and sales of about \$150 million.

The move from Chemtura to Berwind wasn't direct, although it was profitable. The first buyer of BWA was U.K.-based private equity firm CBPE Capital. It sold the business in 2008 to Seera for \$200 million, more than doubling its investment. Developments favorable to water treatment chemicals continued to benefit BWA, and Seera realized a 50% return on its investment when Berwind purchased BWA in June. Over five years, BWA sales have more than doubled while its value has more than tripled.

"Macro trends favor the growth of our business," says Paul Turgeon, BWA's president and chief operating officer. Among those trends are the drinking water demands of a burgeoning world population as well as increasing demand for purified water for industrial and agricultural use, he explains.

As the business has changed hands, BWA, based in Manchester, England, has clearly made money for the investors, but now it may be BWA's turn to benefit. As Turgeon sees it, Berwind's investment in BWA will help the growth plans of the additives maker. Berwind typically makes long-term investments in the companies it buys, Turgeon says. And while it is gratifying to see the value of the business grow, Turgeon hopes that the stability of ownership Berwind offers will allow BWA to invest in and grow a business that has already thrived on developing antiscalants, corrosion inhibitors, and microbiocides, all of which other firms manufacture on BWA's behalf.

"We may buy other water additives

businesses," Turgeon says, "or we could purchase intellectual property, acquire technology, buy a business that would extend one of our product lines, or make a regional play. We always wanted to do these things and it's still in our plans." Since Chemtura sold it, BWA has made only one acquisition. In 2007 it bought Atkinson Chemicals, a small U.K.-based distributor of water treatment chemicals.

But BWA has continued to innovate, and it has introduced cutting-edge additives for sale to water treatment service firms such as Nalco and General Electric. Many of the company's new additives break down more readily in the environment or have a lower environmental impact, allowing customers to meet regulatory limits.

UNDER SCRUTINY
Jeffrey Kramer, technology manager for BWA Water Additives, examines a sample for effects of industrial biocides at the firm's lab in Atlanta.



phosphorus-free maleic homopolymer used to control calcium carbonate scaling in cooling water and process systems. The other, Belclene 810, is a sulfonated phosphine polycarboxylic acid polymer-based formulation, also for cooling water and process systems. Both were developed at BWA's Manchester research lab.

ANOTHER RECENT innovation at the firm is a broad-spectrum biocide developed at the firm's research facility in Atlanta. Bellacide 303, a tributyl tetradecyl phosphonium chloride-based biocide, controls microorganisms such as algae, fungi, and bacteria, and also limits the formation of biofilms in cooling water systems and industrial process water. The Environmental Protection Agency approved the biocide in November 2010.

Ray K. Will, a principal analyst at IHS/SRI Consulting, says water treatment is a roughly \$350 billion-per-year market that includes maintaining, servicing, and operating facilities that handle municipal water, industrial water, and wastewater. Commodity chemicals, such as chlorine and ferric sulfate, play a role in water treatment, but BWA's niche is in the \$10 billion-per-year specialty chemical sector.

Within that sector, Will notes, firms such as Nalco and GE focus both on sales of chemicals and treatment services to customers. BWA, like other chemical suppliers such as Dow Chemical, BASF, and Lonza, are focused just on the chemistry.

In some ways, "BWA picked an enviable position of the water treatment business to work in," Will says. BWA does not need to maintain the staff and service network of its larger competitors, he points out. But a firm like BWA has to be efficient. A Nalco or a GE will buy the chemistry it needs from others only if it can do so at lower cost than manufacturing those treatments itself, he says.

Will says he expects annual growth in the specialty chemicals sector to slow to 2.9% through 2015 from the 3.5% that is typical of the sector in good economic times. A less robust than anticipated world economic recovery accounts for the poorer outlook, he says.

BWA is nonetheless confident of its prospects. Most firms that make water treatment chemicals are diversified suppliers serving a variety of markets, Turgeon says. "But we are exclusively focused on water," he says, and thus more attuned to the market and its needs.—MARC REISCH